SM/10/293
Revision 1

November 9, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **IMF Quota and Governance Reform—Elements of an Agreement**

Attached for the **information** of Executive Directors is a revised paper on IMF Quota and Governance Reform—Elements of an Agreement (SM/10/293, 10/31/10). This paper incorporates modifications approved by Executive Directors during the discussion at the Board meeting on Friday, November 5, 2010, as well as typographical corrections. A note has also been added to the tables to refer to the revised versions circulated in SM/10/293, Sup. 2 (11/9/10). A redlined version of the paper is also attached for the convenience of Executive Directors.

It is intended to publish this revised paper on the Fund's external website.

Questions may be referred to Mr. Krueger (ext. 36854) and Ms. Bassett (ext. 34621) in FIN, Mr. Leckow (ext. 34799) and Ms. Weeks-Brown (ext. 36896) in LEG, and Mr. Teja (ext. 34520) and Mr. Goyal (ext. 36875) in SPR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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IMF Quota and Governance Reform—Elements of an Agreement

Prepared by the Finance, Legal, and Strategy, Policy, and Review Departments

Approved by Andrew Tweedie, Sean Hagan, and Reza Moghadam

October 31, 2010

I. Introduction

1. ***Background***. After a long and intense debate, the membership is converging on quota and governance reforms essential to the Fund's legitimacy and effectiveness as an impartial guardian of global economic stability. This paper sets out, and seeks to operationalize, a core package for the consideration of the Executive Board and, subsequently, the Board of Governors (summarized in Box 1).

Box 1. Quota and Governance Reform: A Summary

Quotas

- *Increase.* A doubling of quotas, with a corresponding roll-back of the New Arrangements to Borrow (NAB) preserving relative shares, when the quota increase becomes effective.
- *Shift in shares.* Minimum targets in the October 2009 IMFC Communiqué to be exceeded:
  - Over 6 percent shift from over-represented to under-represented members.
  - Over 6 percent shift to dynamic emerging market and developing countries (EMDCs).
- *Protecting the voting power of poorest.* To be done for PRGT-eligible members that fall below the IDA-income threshold through ad hoc increases on an individual country basis.
- *Quota formula.* Review to be completed by January 2013.
- *Next review.* 15th General Quota Review to be brought forward, completed by January 2014.

Governance—Executive Board size and composition

- Commitment of the membership—noted in a Board of Governors resolution—to maintain Executive Board size at 24 and, after the conditions for effectiveness of the quota increases under the 14th General Quota Review are met, to review Board composition every 8 years.
- Two fewer advanced European chairs, based on an agreed metric (occupancy of the Executive Director position pro-rated to the time spent in it)—to be implemented no later than the first regular election after the conditions for effectiveness of the quota increases under the 14th Review are met.
- Move to an all-elected Executive Board.
- Further scope for a second Alternate Executive Director for multi-country constituencies.

2. ***Other reforms***. Beyond the ambitious agenda outlined above, progress is expected in parallel in several other areas. The first concerns open, transparent, and merit-based selection of Fund management and, correspondingly, of other IFIs. This clearly is an important issue but arguably also one most credibly dealt with at the time of the next turnover in leadership (as opposed to by mere reiteration of principle at this point). A second issue relates to ministerial engagement and strategic oversight, for which efforts have been made to strengthen IMFC processes (e.g., more informal and restricted meetings). Further improvements are expected as experience is gained; by contrast, the proposal to transfer some decision making powers to ministers has not commanded consensus. Finally, there is a need to make further progress in diversifying Fund staff.

3. ***Outline and approach***. The first and most important step is for the Executive Board to discuss the proposed package, the specifics of which are laid out in Section II (on quotas, with an explanation of the data in Annex I) and Section III (on governance). If the package does indeed find broad support, it will be necessary to send to the Board of Governors an Executive Board Report on the *Fourteenth General Review of Quotas and Reform of the Executive Board* that includes a proposed resolution for adoption, a draft amendment of the Articles (for the future all-elected Executive Board), and associated legal commentary. In the interest of time, a draft report is attached as Annex II; a detailed redline of the proposed amendment of the Articles of Agreement is attached as Annex III. Section IV discusses the proposed phasing and inter-linkages between the various components of the package. Section V presents a proposed Executive Board decision, adopted by a majority of the votes cast, that is needed to transmit the above-mentioned report to the Board of Governors.

II. QUOTAS

4. ***Background***. The IMFC in its October 2009 Communiqué called on the Executive Board to complete the 14th General Review of Quotas by January 2011. The IMFC noted that quota reform is crucial for increasing the legitimacy and effectiveness of the Fund, and stressed that the IMF is and should remain a quota-based institution. It supported a shift in quota share to dynamic EMDCs of at least 5 percent from over-represented countries to under-represented countries using the current quota formula as a basis to work from, while protecting the voting share of the poorest members. This section presents a proposal to meet these goals. It builds on the extensive work that has taken place within the Committee of the Whole over the past year and also draws on important guidance provided by the IMFC at its most recent meeting in Washington on October 9 and by the G-20 Finance Ministers and Governors on October 23.

5. ***Size of quota increase***. Previous staff papers examined the broad range of issues relevant to the size of the overall quota increase.[1] These included the decline in the size of the Fund relative to global economic and financial indicators since the last general quota increase in 1998, the potential demand for Fund resources under alternative scenarios, and the implications of the recent reforms of the Fund's lending facilities for potential resource needs. There now appears to be broad support for a doubling of quotas, provided that there would be a corresponding roll-back of the NAB, preserving relative shares. This reduction could be finalized in the forthcoming review of the NAB that is scheduled to be completed by November 2011. To maintain the Fund's lending capacity in the interim, it is important that the reduction in the size of the NAB only take place when the conditions for effectiveness of the quota increases under the 14th Review are met and the related payments made.

6. ***Realignment of quota shares***. Committee of the Whole discussions have covered a range of issues, including the size and definition of the targeted shifts, the role of the current formula in allocating quota increases, the scope for improving on the formula within the timeframe for the 14th Review, the use of alternative metrics to distribute part of the increase, and modalities for protecting the poorest members.[2] While Directors' views previously diverged in several areas, there has been broad convergence on key points, including that: the quota increase should be allocated using a combination of selective and ad hoc increases, with no equi-proportional element given the focus on realigning shares;[3] the current quota formula should continue to be used for the 14th Review, pending a review to be completed before the next general quota review (see below); part of the increase should be distributed using an alternative measure of economic weight, given the widespread misgivings about the formula; and the voting share of the poorest should be preserved through ad hoc quota increases to protect the voting share for each eligible country individually.

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[1] See *Fourteenth General Review of Quotas—The Size of the Fund Initial Considerations* (EB/CQuota/10/2, 4/02/10); and *Fourteenth General Review of Quotas—Further Considerations* (EB/CQuota/10/5, 9/03/10).

[2] See *Fourteenth General Review of Quotas—Realigning Quota Shares—Initial Considerations* (EB/CQuota/10/1, 3/5/10); *The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Realigning Quota Shares—Initial Considerations—Committee of the Whole on Review of Quotas Meeting 10/1* (BUFF/10/33, 3/25/10); *Fourteenth General Review of Quotas—Realigning Quota Shares—Further Considerations* (EB/CQuota/10/4, 6/22/10); *The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Realigning Quota Shares—Further Considerations—Committee of the Whole on Review of Quotas Meeting 10/3* (BUFF/10/105, 7/13/10); *Fourteenth General Review of Quotas—Further Considerations* (EB/CQuota/10/5, 09/03/2010);*The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Further Considerations—Committee of the Whole on Review of Quotas Meeting 10/4* (BUFF/10/144, 9/29/10); *Fourteenth General Review of Quotas—Possible Elements of a Compromise* (EB/CQuota/10/6, 10/5/10); and *The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Possible Elements of a Compromise—Committee of the Whole on Review of Quotas Meeting 10/5* (BUFF/10/147, 10/7/10).

[3] *Equiproportional* quota increases are allocated to all members in proportion to their *existing* quota shares, while a *selective* quota increase is distributed to all members based on *calculated* quota shares, as indicated by the quota formula. *Ad hoc* increases are allocated to a subset of the membership based on *specific criteria*.

7. ***Narrowing options***. Based on this guidance, recent staff papers focused on a narrower range of options. These involved distributing more than half of the increase on a selective basis using the formula and the remainder as ad hoc increases, primarily to those members that are under-represented using the compressed GDP blend variable. This approach was put forward as a possible compromise between those who considered that the quota formula should be the primary distribution mechanism and those who argued that economic weight should play a larger role. Part of the ad hoc increase was used to provide protection for the poorest members, and the staff papers also illustrated simulations where part was used to: (i) avoid any dilution of the increase in share after the selective increase for countries that are under-represented using the formula only; (ii) protect over-represented countries from becoming under-represented, based either on the formula or the higher of the formula and the GDP blend; (iii) allow advanced countries that are under-represented under the GDP blend only to participate but with their increases capped at their post-second round quota share (i.e., their quota share after the 2008 reforms become effective); (iv) allow advanced countries that are under-represented based on both the formula and the GDP blend to participate partially or fully; and (v) set a floor on the maximum decline in any individual member's quota share. The simulations also illustrated how voluntary foregoing could facilitate protection of the poorest and the desired shifts in favor of dynamic EMDCs: setting a maximum for individual quota increases and modest voluntary foregoing by all advanced countries.

8. ***Proposal***. The following combine the above elements with the goal of seeking the broadest possible consensus, recognizing that it requires compromise from all sides and not all reform aspirations can be met:

- A 60 percent selective increase and a 40 percent ad hoc increase.

- Under-represented members based on the GDP blend variable are eligible for ad hoc increases and receive a uniform proportional reduction in the gap between their GDP blend share and post-selective quota share (eligible advanced countries receive half the proportional reduction applying to eligible EMDCs), except that eligible advanced countries that are over-represented under the formula are capped at their post-second round quota share.

- Under-represented countries under the formula receive an ad hoc allocation that ensures that their gains from the selective increase are not diluted.

- Over-represented countries under the formula are protected from falling below the higher of their calculated quota or their GDP blend share.

- A floor to limit the maximum decline in quota share for any individual country to 30 percent; to mitigate the adjustment burden on any individual country, a further limit on the maximum decline in share of 0.85 percentage points has been added.

- Protection of the individual post-second round quota (and thus voting) shares of the poorest members, defined as those countries that are PRGT-eligible and met the IDA income cut-off of US$1,135 in 2008 (or twice that amount for small countries). The countries covered include 49[*] members plus Zimbabwe, which is not currently PRGT-eligible.[4]

- A maximum of 220 percent on individual quota increases.

- Voluntary foregoing by all advanced countries of 1.35 percent (1.37 percent by G-20 advanced countries) from the shares resulting from the above elements.

- A voluntary redistribution of 5 basis points in quota share from the 4 largest European Union members (France, Germany, Italy and the UK) to Spain, which remains significantly under-represented, and without affecting the quota share or ranking of any other member.[**]

9. ***Outcomes***. The results of combining the above elements are summarized in Table 1.[5] The realignment of quota shares exceeds the minimum targets set by the IMFC. In particular, it results in shifts to dynamic EMDCs and from over- to under-represented countries above 6 percent, while the voting share of the poorest members is protected. A major realignment in the ranking of quota shares is achieved to better reflect global realities, with the 10 largest shareholders comprising the US, Japan, China, Germany, France, the UK, Italy, India, Russia, and Brazil (Table 2). In total, 61 members would receive an increase in quota share, of which 53 are EMDCs; in terms of the largest increases, 13 EMDCs would receive nominal

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[*] Three countries were inadvertently omitted. The correct number is 52 and is reflected in the final tables in Supplement 2, along with the necessary adjustments (as noted in ** below).

[4] See EB/CQuota/10/6 (10/5/10) and Supplement 1. Zimbabwe was removed from the PRGT-eligibility list by the Board in connection with its arrears to the Trust. However, its estimated per capita income was below US$1,135 in 2008 and it lacked market access. Thus, it is likely that Zimbabwe would become PRGT-eligible once it has cleared its arrears to the PRGT Trust and the associated remedial measures are lifted. Zimbabwe has no arrears to the General Resources Account (GRA) and would be eligible to consent and pay for its quota increase. On the other hand, and consistent with the practice under the 9th and 11th General Reviews, it is proposed that members with protracted arrears to the GRA would not be able to consent to or pay for their quota increase until they had cleared their outstanding overdue obligations to the GRA.

[**] The Executive Board agreed on additional adjustments of: (i) 0.09 basis points in quota share from Singapore to Tonga to preserve its post-second round quota share; (ii) 1.56 basis points in quota share from the United States to Saudi Arabia to ameliorate its very large decline in share; and (iii) a 1.20 basis point shift from advanced G-20 countries to cover a portion of the cost of protecting the poorest members. See Supplement 2 for the final tables reflecting the Executive Board's agreement.

[5] Results by member for quota and voting shares are presented in Table A1. At their request, the quotas of France and the United Kingdom have been equalized; without such equalization, their quota shares would be 3.97and 4.49 percent, respectively. The redistribution of quota shares between these two countries does not affect the proposed quotas or quota shares of other members.

quota increases greater than 150 percent, and 8 of the 10 countries with the largest quota increases would be EMDCs (Tables 3 and 4). After taking account of the protection for the poorest members, 99[*] EMDCs would either maintain or receive an increase in their quota shares. Moreover, the reform would result in a further net shift of quota shares to EMDCs as a group of 2.8 percent. There would also be a further shift in voting shares of 2.6 percent; when combined with the 2008 quota and voice reform, the aggregate voting share of EMDCs would rise by 5.3 percent (Table 4).[6]

10. ***Future steps***. The process of adjusting quota shares to reflect the growing weight of EMDCs, including the poorest, is a dynamic one. Given the concerns about the formula expressed by all Directors, it is proposed that a comprehensive review of the formula be completed by January 2013 to better reflect economic weights, in light of the Fund's mandate and the role of quotas. Further, it is proposed to bring forward the timetable for completion of the 15th General Review of Quotas to January 2014.[**]

III. Governance

11. ***Background***. The Executive Board is not merely a decision-making organ of the Fund but also a crucial mechanism to bring the oversight, voice and interests of members to the work of management and staff. Last August, differences on the appropriate *composition* of the Board, more so than on its *size*, resulted in the failure of the proposed Board of Governors resolution on the 2010 regular election of Executive Directors. That resolution proposed to maintain the Board at its current size of 24 Executive Directors (5 appointed and 19 elected) and, thus, to maintain the number of elected Directors above the "default" size of 15 set out in the Fund's Articles. In light of the emerging consensus on the reform package, including on enhanced EMDC representation, a new proposed resolution on the rules for the 2010 regular election of Executive Directors that maintains the Executive Board at 24 chairs has been sent to the Board of Governors.

12. ***Size***. The proposed Board of Governors resolution takes note of a commitment of the membership to maintain the size of the Executive Board at 24 and to review its composition every 8 years (after the conditions for the effectiveness of the quota increases under the 14th General Review of Quotas are met). Such a resolution would constitute a public commitment to balance the need for change with the need for predictability. As a legal matter, however, it would not obviate the need for the Board of Governors to adopt a

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[*] Reflecting the corrected protection applying to the poorest members (see page 5, reference *), as well as the Executive Board agreement on additional adjustments (page 5, reference **), the outcome is that 102 EMDCs would either maintain or receive an increase in their quota shares. See Supplement 2.

[6] In the attached Tables, pre-Singapore refers to data prior to the two steps of the 2008 reform.

[**] The Executive Board's agreed formulation on this matter can be found in paragraphs 13-14 of the Report of the Executive Board to the Board of Governors (Annex II).

resolution, at the time of each regular election of the Executive Directors, to increase the size of the Executive Board from 20 to 24.

13. ***Composition***. It is well accepted that representation at the Executive Board must continue to be based on the principle of voluntary constituency formation. Facilitating a re-composition of the Board, therefore, requires the pro-active participation of members to consolidate constituencies and otherwise develop mechanisms for sharing the Executive Director's chair. To facilitate this, the proposed Board of Governors resolution notes a commitment to reduce the number of Executive Directors representing advanced European countries by 2 in favor of EMDCs. This is to be measured by the time pro-rated in the Executive Director chair (i.e., rotation of an EMDC into an advanced European Executive Director chair for one period out of two counts as ½).

14. ***Second Alternate Executive Director***. The possibility of a second Alternate Executive Director (AED) for multi-country constituencies, introduced in the 2008 quota and voice reform that is yet to enter into force, can enhance representation as well as options for forming constituencies. The 2008 reform allows for a second AED to be appointed for constituencies with at least 19 members; this threshold may be adjusted by a majority of votes cast by the Board of Governors. It is proposed to lower the threshold to multi-country constituencies with 7 or more members—this being close to the notional "average-sized constituency" (187 members spread over 24 constituencies). It remains open for the Board of Governors to revisit and adjust this figure in light of future developments. Further, it is envisaged that a second AED would be provided for in a broadly *budget neutral* manner by re-designating an existing "Senior Advisor" as an AED—the exception being the large sub-Saharan African constituencies, for whom it was made clear in the context of the 2008 discussions that they would be granted an additional resource.[*] This proposal would become effective at the first regular election after the entry into force of the 2008 Proposed Amendment on Voice and Representation.

15. ***All-elected Board***. Moving to an all-elected Board enhances options for forming constituencies and levels the playing field between appointed and elected Directors. It is therefore proposed that the Articles be amended to eliminate the category of appointed Executive Directors and the associated election rules set forth in Schedule E of the Articles (including minimum and maximum limits for the election of Executive Directors that are based on an election of 15 Executive Directors). The proposed amendment also specifies that the Board of Governors would need to adopt regulations to govern the conduct of the elections to the all-elected Executive Board. These regulations would be designed to avoid excessive concentration of voting power in multi-country constituencies, while allowing for adequate flexibility to enable members to form constituencies on a voluntary basis. A proposed amendment of the Articles (with a detailed commentary) that reflects this approach

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[*] The Executive Board agreed to address this issue in the context of the regular budget discussion.

is set out in the draft Executive Board Report on the *Fourteenth General Review of Quotas and Reform of the Executive Board* (Annex II).

IV. PHASING AND STRUCTURE OF THE RESOLUTION

16. ***Phasing and inter-linkages***. The quota and governance reforms would be placed in a single Board of Governors resolution, reflecting a political understanding that they are all part of a single package of reforms. As a unitary resolution, it would be subject to an 85 percent majority, this being the highest applicable majority (for quotas). With the adoption of the resolution, the implementation of important features of the package would be formally interlinked (Figure 1):

- *2008 quota and voice reform*. The 2008 reform, including its increase in basic votes, is an important foundation upon which the current package is built, providing the basis for the current quota discussion and, as noted above, for a second AED for multi-country constituencies. It is imperative, therefore, that members complete the necessary domestic procedures to ratify the reform—to date, 94 countries representing 82.55 percent of the total voting power have done so (113 countries representing 85 percent of the voting power are required).

- *14^{th} General Review of Quotas*. It is proposed that best efforts be made for the quota increase and shift in shares to enter into force by the 2012 Annual Meetings. It is proposed that (as was the case, for example, with the 8^{th} and 9^{th} General Reviews) increases in quotas provided for under the 14^{th} Review will not become effective until members having at least 70 percent of the total quotas on November 5, 2010 have consented.[7] In addition, it would require that the proposed amendments of the Fund's Articles on Voice and Participation (that formed part of the 2008 reform) and on the reform of the Executive Board have entered into force. It is expected that a corresponding adjustment to the NAB would be agreed, to become effective when these conditions are met and related quotas paid.

- *Executive Board size and composition*. The proposed Board of Governors resolution would note the commitment of the Fund's membership to maintain the Executive Board size at 24 and to review its composition every 8 years after the conditions for effectiveness of the quota increases under the 14^{th} General Review of Quotas are met. The reduction by two of the number of Executive Directors representing advanced European countries (on the metric noted in ¶13 above) would be implemented no later than the first regular election after the conditions for effectiveness of the quota increases under the 14^{th} General Review are met.

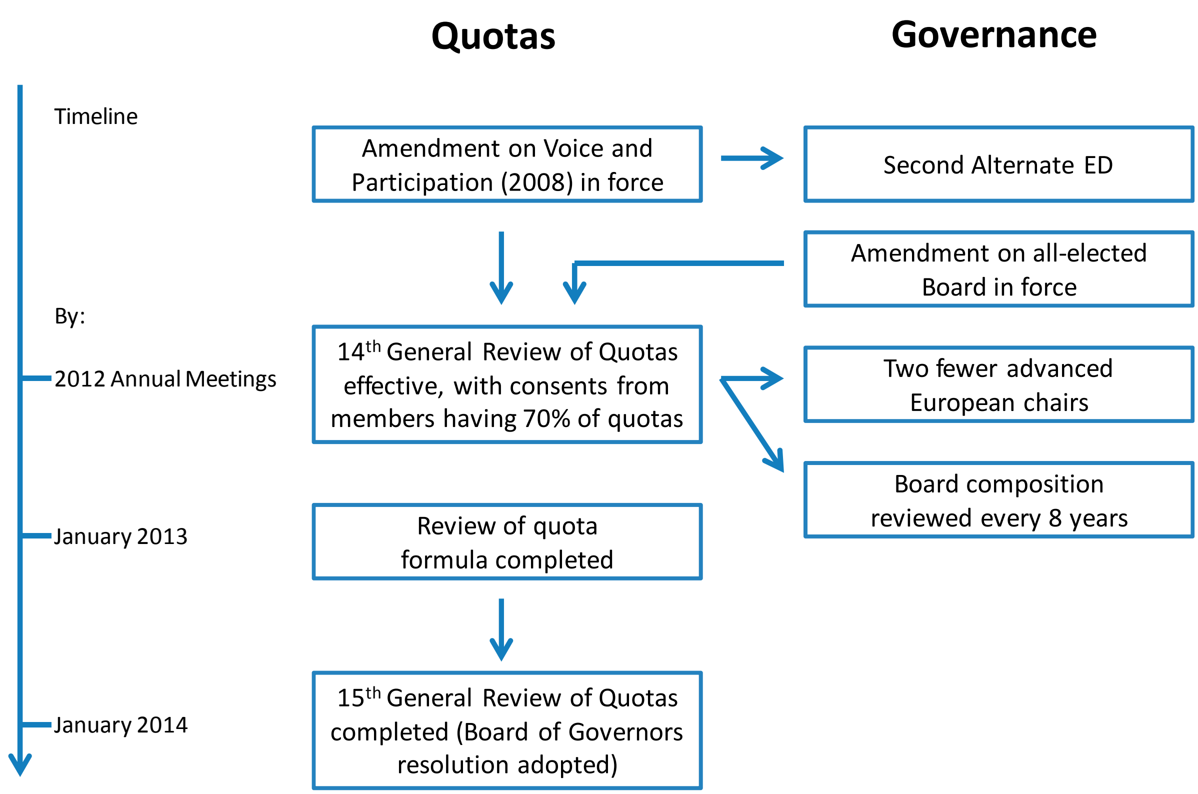
[7] In the 9^{th} review, the minimum participation threshold, although initially 85 percent, dropped to 70 percent after a defined period.

- *Second AED*. It will become possible for a second AED to be appointed in constituencies with 7 or more members after the proposed amendment of the Fund's Articles on Voice and Participation (the 2008 reform) has entered into force, and the proposed resolution has been adopted. The actual appointments would be made at the time of the first regular election thereafter.

- *All-elected Board*. The amendment of the Articles for an all-elected Board would enter into force when the Fund certifies in a formal communication to all members that three-fifths of the members having 85 percent of the total voting power have accepted it.

Figure 1. Quota and Governance Reform:
A Simple Illustration of the Phasing and Interlinkages

(Arrow from X →Y indicates dependence of Y on completion of X)



V. Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

1. The Executive Board: (a) adopts the report entitled: "Fourteenth General Review of Quotas and Reform of the Executive Board—Report of the Executive Board to the Board of Governors" that is set forth in Annex II of SM/10/293 (10/31/10), (the "Report") and (b) recommends the adoption by the Board of Governors of the resolution set forth in the Appendix to the Report (the "Resolution").

2. The Executive Board authorizes and directs the Secretary to send to each member of the Fund the proposal of the Executive Board set forth in the Report, with a request for a vote by each Governor on the Resolution.

3. The Board of Governors is requested, pursuant to Section 13 of the By-Laws, to vote without meeting on the Resolution. To be valid, votes must be received at the seat of the Fund before 6:00 p.m., Washington time, on December 15, 2010. Votes received after that time will not be counted.

4. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.

5. The effective date of the Resolution shall be the last day allowed for voting.

6. The Secretary is authorized to take such action as he shall deem necessary or appropriate in order to carry out the purposes of this decision.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table 1. Illustration of Proposed Quota and Voting Shares 1/
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre-Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Advanced economies	58.2	60.0	61.6	60.5	57.7	60.6	57.9	55.3
Major advanced economies (G7)	42.9	48.0	46.0	45.3	43.4	45.1	43.0	41.2
United States	17.0	21.6	17.4	17.7	17.4	17.0	16.7	16.5
Other	25.9	26.4	28.6	27.7	26.0	28.1	26.3	24.7
Other advanced economies	15.3	11.9	15.6	15.1	14.3	15.4	14.9	14.1
Emerging Market and Developing Countries	41.8	40.0	38.4	39.5	42.3	39.4	42.1	44.7
Developing countries	34.1	33.2	30.9	32.4	35.1	31.7	34.5	37.0
Africa	3.1	2.9	5.5	4.9	4.4	6.0	6.2	5.6
Asia 5/	17.7	17.3	10.3	12.6	16.1	10.4	12.8	16.1
Middle East, Malta & Turkey	6.2	5.2	7.6	7.2	6.7	7.6	7.3	6.8
Western Hemisphere	7.0	8.0	7.5	7.7	7.9	7.7	8.2	8.4
Transition economies	7.7	6.8	7.6	7.1	7.2	7.7	7.6	7.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:								
EU 27	31.3	27.8	32.9	31.9	30.2	32.5	30.9	29.4
LICs (IDA thresholds) 6/	1.8	1.7	3.5	3.2	3.2	4.0	4.5	4.5
Shifts from Post Second Round								
Underrepresented countries (shift in p.p.)					6.2			5.8
Underrepresented EMDCs (shift in p.p.)					5.7			5.4
Dynamic EMDCs (shift in p.p.) 7/					6.0			5.7
EMDCs (shift in p.p.)					2.8			2.6
Uniform reduction factor 8/					53.9			

Source: Finance Department.

1/ See Annex I for a description of the allocation mechanism.
2/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.
3/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
4/ Basic votes are calculated using the agreed percentage of total votes, 5.502 percent of total votes (provided there are no fractional votes) as in the Proposed Amendment to Enhance Voice and Participation, which has not yet entered into effect.
5/ Including Korea and Singapore.
6/ Eligibility is limited to PRGT-eligible countries with annual per capital income below the prevailing operational IDA cut-off in 2008 (US$1,135) or below twice IDA's cut-off for countries meeting the definition of a "small country" under the PRGT eligibility criteria. Zimbabwe is included.
7/ 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.
8/ Uniform proportional reduction in the gap between GDP blend (see footnote 2) and post-selective quota share.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL.
SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table 2. Quota Shares of 20 Largest Members
(In percent)

Rank	Pre-Singapore		Post Second Round 1/		Proposal 2/	
1	United States	17.38	United States	17.67	United States	17.43
2	Japan	6.23	Japan	6.56	Japan	6.47
3	Germany	6.09	Germany	6.11	China 3/	6.39
4	France	5.02	France	4.50	Germany	5.59
5	United Kingdom	5.02	United Kingdom	4.50	France	4.23
6	Italy	3.30	China 3/	4.00	United Kingdom	4.23
7	Saudi Arabia	3.27	Italy	3.31	Italy	3.16
8	Canada	2.98	Saudi Arabia	2.93	India	2.75
9	China 3/	2.98	Canada	2.67	Russian Federation	2.71
10	Russian Federation	2.78	Russian Federation	2.49	Brazil	2.32
11	Netherlands	2.42	India	2.44	Canada	2.31
12	Belgium	2.15	Netherlands	2.17	Saudi Arabia	2.08
13	India	1.95	Belgium	1.93	Spain	2.00
14	Switzerland	1.62	Brazil	1.78	Mexico	1.87
15	Australia	1.51	Spain	1.69	Netherlands	1.83
16	Spain	1.43	Mexico	1.52	Korea, Republic of	1.80
17	Brazil	1.42	Switzerland	1.45	Australia	1.38
18	Venezuela, R. B. de	1.24	Korea, Republic of	1.41	Belgium	1.34
19	Mexico	1.21	Australia	1.36	Switzerland	1.21
20	Sweden	1.12	Venezuela, R. B. de	1.12	Turkey	0.98

Source: Finance Department

1/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
2/ See Annex I for a description of the allocation mechanism.
3/ Includes China, P.R., Hong Kong SAR, and Macao SAR.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL.
SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table 3. Largest Increases and Decreases in Quota Shares
(In percentage points)

	Difference between Proposed and Post Second Round Quota Shares 1/ 2/	
	Largest Increases	
1	China 3/	2.40
2	Brazil	0.53
3	Korea, Republic of	0.39
4	Turkey	0.37
5	Mexico	0.35
6	Spain	0.31
7	India	0.31
8	Singapore	0.23
9	Russian Federation	0.21
10	Ireland	0.20
	Largest Decreases	
1	Saudi Arabia	-0.85
2	Belgium	-0.59
3	Germany	-0.52
4	Canada	-0.36
5	Venezuela, R. B. de	-0.33
6	Netherlands	-0.33
7	United Kingdom	-0.28
8	France	-0.28
9	United States	-0.24
10	Switzerland	-0.24

Source: Finance Department

1/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.

2/ See Annex I for a description of the allocation mechanism

3/ Includes China, P.R., Hong Kong SAR, and Macao SAR.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL.**
SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table 4. Summary of Voting and Quota Share Shifts

	From Pre-Singapore	From Post Second Round
Shift of voting shares (ppts)		
to under-represented countries	8.2	5.8
to dynamic EMDCs	8.8	5.7
to EMDCs	5.3	2.6
to non-oil EMDCs 1/	7.6	3.9
Shift of quota shares (ppts)		
to under-represented countries	8.5	6.2
to dynamic EMDCs	9.0	6.0
to EMDCs	3.9	2.8
to non-oil EMDCs 1/	6.4	4.2
Number of countries that increase quota share	54	61
Advanced Countries	10	8
EMDCs	44	53
Number of countries that increase or maintain quota share	54	107
Advanced Countries	10	8
EMDCs	44	99
Number of countries with nominal quota increases greater than 150%	40	16
Advanced Countries	6	3
EMDCs	34	13
Adjustment coefficient 2/	65.8	55.8

1/ Oil-exporting EMDCs are those that WEO classifies in the functional group "fuel exporters", consisting of 27 countries.
2/ The adjustment coefficient measures the extent to which deviations between actual and calculated quota shares are reduced by the quota adjustment. The pre-Singapore calculations exclude Kosovo and Tuvalu.

Annex I. Illustration of Proposed Quota and Voting Shares—Technical Aspects

Data set

Simulation results are based on the quota data set which covers the period through 2008 as in **EB/CQuota/10/3**.

Size of the overall quota increase

The overall quota increase relative to post second round quotas is 100 percent—distributed as a 60 percent selective followed by a 40 percent ad hoc increase. The selective increase is distributed to all members in proportion to their calculated quota share, as presented in EB/CQuota/10/3. The ad hoc increase is distributed to eligible members as described below.

Ad hoc increase

The ad hoc increase is mainly distributed to countries that are under-represented with respect to the GDP blend variable, i.e., those members whose post selective quota share[1] is smaller than their share in the GDP blend variable.[2] The allocation of the ad hoc increase is primarily based on a uniform reduction in out-of-lineness, i.e., the difference between a country's GDP blend variable share and its post selective quota share is reduced proportionately by a uniform reduction factor (URF).[3] Taking the size of the ad hoc increase and all other elements of the allocation mechanism as described below as given, a unique URF is determined.

- Eligible EMDCs receive a uniform reduction in out-of-lineness with respect to the GDP blend variable.
- Eligible advanced countries that are under-represented with respect to the GDP blend variable receive 50 percent of the uniform reduction in out-of-lineness with respect to the GDP blend variable that EMDCs receive.
- Advanced countries that are under-represented with respect to the GDP blend variable but not the quota formula are capped at their post second round quota share.

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[1] A country's post selective quota share is the simulated quota share that would result if only the selective increases were implemented.

[2] Consistent with the quota formula, the GDP blend variable is a weighted average of GDP at market prices (60 percent) and PPP GDP (40 percent), compressed by a factor of 0.95.

[3] The uniform reduction in out-of-lineness was also used in the 2008 reform for allocating ad hoc increases.

Protection of the poorest members and other protection mechanisms

- The poorest members individually maintain at least their post second round quota share. They are defined as those PRGT-eligible countries with annual per capita income below the prevailing operational IDA cut-off in 2008 (US$1,135) or below twice IDA's cut-off for countries meeting the definition of a "small country" under the PRGT eligibility criteria. Zimbabwe is also included in the list of the poorest members.
- Advanced countries that are under-represented with respect to the quota formula but not the GDP blend variable maintain their gains from the selective allocation, i.e., they receive their post selective quota share.
- Countries that are over-represented under the formula are protected from falling below their calculated quota or GDP blend share, whichever is greater.
- A country's quota share cannot fall below 70 percent of its post second round quota share or decline by more than 0.85 percentage points.

Maximum increase and voluntary reduction in quota share

- The maximum nominal percentage increase for an individual country is set at 220 percent.
- All advanced countries receive a percentage reduction in their final quota share—the reduction is 1.37 percent for advanced G20 countries and 1.35 percent for other advanced countries.[4]

Final Realignments

The final realignments do not change the quota shares of any country except the ones involved.

- A transfer of 5 basis points in quota share to Spain is made in equal parts by France, Germany, Italy, and the United Kingdom.*

The quota shares of France and the United Kingdom are equalized.

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[4] Advanced countries do not benefit from the resulting increase in available resources via a higher URF since their uniform reduction in out-of-lineness is maintained at the level that obtains without the voluntary foregoing.

*A transfer of 0.09 basis points in quota share from Singapore to Tonga; a transfer of 1.56 basis points in quota share from the United States to Saudi Arabia; and a 1.20 basis point shift from advanced G-20 countries to cover a portion of the cost of protecting the poorest members were agreed at the time of the Board discussion.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member 1/
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
United States	16.987	21.645	17.380	17.670	17.428	17.023	16.727	16.498
Japan	6.493	7.282	6.228	6.556	6.466	6.108	6.225	6.140
Germany	5.678	5.201	6.086	6.110	5.588	5.968	5.803	5.310
France	3.789	4.036	5.024	4.505	4.228	4.929	4.286	4.025
United Kingdom	4.663	4.151	5.024	4.505	4.228	4.929	4.286	4.025
China 5/	7.917	8.128	2.980	3.996	6.394	2.928	3.806	6.071
Italy	2.992	3.379	3.301	3.306	3.162	3.242	3.154	3.017
Saudi Arabia	1.337	0.842	3.268	2.930	2.080	3.210	2.799	1.995
Canada	2.303	2.345	2.980	2.672	2.313	2.928	2.554	2.215
Russian Federation	2.938	2.746	2.782	2.494	2.706	2.734	2.386	2.587
India	2.403	3.027	1.945	2.442	2.751	1.916	2.337	2.629
Netherlands	1.857	1.308	2.415	2.166	1.832	2.375	2.076	1.761
Belgium	1.324	0.784	2.155	1.932	1.345	2.120	1.855	1.300
Brazil	2.153	2.654	1.420	1.783	2.316	1.402	1.714	2.218
Spain	2.236	2.422	1.426	1.688	2.000	1.408	1.624	1.919
Mexico	1.793	2.080	1.210	1.521	1.869	1.196	1.467	1.796
Switzerland	1.227	0.724	1.618	1.451	1.210	1.595	1.400	1.173
Korea, Republic of	2.108	1.909	0.764	1.412	1.800	0.760	1.364	1.731
Australia	1.396	1.537	1.514	1.358	1.379	1.494	1.312	1.332
Venezuela, R. B. de	0.484	0.518	1.244	1.115	0.781	1.229	1.084	0.767
Sweden	0.942	0.743	1.121	1.005	0.929	1.108	0.979	0.907
Argentina	0.597	0.669	0.990	0.888	0.669	0.981	0.869	0.661
Austria	0.836	0.650	0.876	0.887	0.825	0.869	0.867	0.809
Indonesia	0.902	1.053	0.973	0.872	0.975	0.964	0.854	0.951
Denmark	0.731	0.508	0.769	0.793	0.721	0.764	0.779	0.711
Norway	0.812	0.631	0.782	0.790	0.788	0.777	0.776	0.774
South Africa	0.578	0.640	0.874	0.784	0.640	0.867	0.770	0.634
Malaysia	0.792	0.471	0.695	0.744	0.762	0.692	0.733	0.750
Nigeria	0.477	0.410	0.820	0.735	0.515	0.814	0.724	0.516
Poland	0.949	0.911	0.640	0.708	0.859	0.638	0.699	0.841
Iran, Islamic Republic of	0.658	0.842	0.700	0.628	0.748	0.697	0.623	0.736
Turkey	1.148	1.296	0.451	0.611	0.977	0.453	0.607	0.953
Thailand	0.789	0.636	0.506	0.604	0.674	0.507	0.600	0.666
Singapore	1.195	0.356	0.404	0.591	0.817	0.406	0.588	0.802
Kuwait	0.315	0.242	0.646	0.579	0.406	0.644	0.577	0.413

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Ukraine	0.422	0.393	0.642	0.576	0.422	0.640	0.573	0.428
Finland	0.513	0.421	0.591	0.530	0.506	0.590	0.530	0.507
Ireland	1.077	0.428	0.392	0.528	0.724	0.395	0.528	0.713
Algeria	0.411	0.323	0.587	0.526	0.411	0.586	0.527	0.418
Iraq	0.267	0.162	0.556	0.499	0.349	0.556	0.501	0.359
Libya	0.252	0.150	0.526	0.471	0.330	0.526	0.475	0.341
Greece	0.572	0.586	0.385	0.462	0.509	0.388	0.466	0.511
Israel	0.408	0.343	0.434	0.445	0.403	0.437	0.450	0.410
Hungary	0.407	0.300	0.486	0.436	0.407	0.487	0.441	0.414
Pakistan	0.342	0.449	0.484	0.434	0.426	0.485	0.439	0.432
Romania	0.380	0.369	0.482	0.432	0.380	0.483	0.438	0.388
Portugal	0.448	0.426	0.406	0.432	0.432	0.409	0.438	0.438
Philippines	0.430	0.379	0.412	0.428	0.428	0.414	0.433	0.434
Czech Republic	0.519	0.387	0.383	0.420	0.457	0.387	0.427	0.462
Egypt	0.404	0.452	0.442	0.396	0.427	0.444	0.404	0.433
New Zealand	0.262	0.232	0.419	0.375	0.263	0.421	0.384	0.278
Chile	0.377	0.356	0.401	0.359	0.366	0.403	0.369	0.375
Colombia	0.381	0.500	0.362	0.325	0.429	0.366	0.336	0.435
United Arab Emirates	0.767	0.381	0.286	0.316	0.485	0.292	0.328	0.488
Bulgaria	0.164	0.116	0.300	0.269	0.188	0.305	0.283	0.207
Peru	0.270	0.290	0.299	0.268	0.280	0.304	0.282	0.294
Morocco	0.185	0.188	0.275	0.247	0.188	0.281	0.263	0.207
Bangladesh	0.169	0.238	0.250	0.224	0.224	0.256	0.241	0.241
Congo, Dem. Rep. of	0.035	0.029	0.249	0.224	0.224	0.256	0.241	0.241
Zambia	0.039	0.030	0.229	0.205	0.205	0.235	0.223	0.223
Serbia	0.129	0.107	0.219	0.196	0.137	0.226	0.215	0.159
Vietnam	0.303	0.248	0.154	0.193	0.242	0.162	0.212	0.258
Kazakhstan	0.328	0.250	0.171	0.179	0.243	0.179	0.199	0.259
Slovak Republic	0.261	0.174	0.167	0.179	0.210	0.175	0.199	0.228
Luxembourg	0.503	0.093	0.131	0.176	0.277	0.139	0.195	0.291
Sri Lanka	0.089	0.107	0.193	0.173	0.121	0.201	0.193	0.144
Belarus	0.143	0.139	0.181	0.162	0.143	0.188	0.183	0.164
Ghana	0.050	0.045	0.173	0.155	0.155	0.180	0.176	0.176
Croatia	0.150	0.133	0.171	0.153	0.150	0.179	0.174	0.172
Zimbabwe	0.016	0.011	0.165	0.148	0.148	0.173	0.170	0.170

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Ecuador	0.147	0.135	0.141	0.146	0.146	0.150	0.167	0.168
Syrian Arab Republic	0.208	0.293	0.137	0.145	0.233	0.146	0.167	0.249
Trinidad and Tobago	0.064	0.049	0.157	0.141	0.099	0.165	0.162	0.123
Côte d'Ivoire	0.056	0.054	0.152	0.136	0.136	0.160	0.158	0.158
Sudan	0.089	0.117	0.147	0.132	0.132	0.156	0.154	0.154
Uruguay	0.077	0.062	0.143	0.129	0.090	0.152	0.151	0.114
Qatar	0.194	0.156	0.123	0.127	0.154	0.132	0.149	0.175
Tunisia	0.114	0.103	0.134	0.120	0.114	0.143	0.143	0.137
Angola	0.214	0.142	0.134	0.120	0.155	0.143	0.143	0.176
Uzbekistan	0.071	0.078	0.129	0.116	0.116	0.138	0.139	0.139
Slovenia	0.136	0.102	0.108	0.115	0.123	0.118	0.138	0.146
Jamaica	0.047	0.036	0.128	0.115	0.080	0.137	0.138	0.105
Kenya	0.076	0.078	0.127	0.114	0.114	0.136	0.137	0.137
Lebanon	0.168	0.068	0.095	0.112	0.133	0.104	0.135	0.155
Myanmar	0.057	0.072	0.121	0.108	0.108	0.130	0.132	0.132
Yemen, Republic of	0.100	0.072	0.114	0.102	0.102	0.123	0.126	0.126
Oman	0.139	0.106	0.091	0.099	0.114	0.100	0.123	0.137
Dominican Republic	0.097	0.105	0.102	0.092	0.100	0.112	0.116	0.124
Brunei Darussalam	0.042	0.027	0.101	0.090	0.063	0.110	0.115	0.089
Guatemala	0.086	0.092	0.098	0.088	0.090	0.108	0.113	0.114
Panama	0.079	0.053	0.097	0.087	0.079	0.106	0.111	0.104
Tanzania	0.046	0.058	0.093	0.083	0.083	0.103	0.108	0.108
Costa Rica	0.077	0.069	0.077	0.078	0.077	0.087	0.104	0.103
Cameroon	0.058	0.058	0.087	0.078	0.058	0.096	0.103	0.084
Lithuania	0.111	0.095	0.067	0.077	0.093	0.077	0.102	0.117
Uganda	0.055	0.044	0.084	0.076	0.076	0.094	0.101	0.101
Bahrain	0.098	0.045	0.063	0.074	0.083	0.073	0.099	0.108
Bolivia	0.047	0.050	0.080	0.072	0.050	0.090	0.097	0.077
El Salvador	0.060	0.059	0.080	0.072	0.060	0.090	0.097	0.086
Jordan	0.073	0.047	0.080	0.072	0.072	0.090	0.097	0.097
Bosnia and Herzegovina	0.056	0.042	0.079	0.071	0.056	0.089	0.096	0.082
Afghanistan, Islamic Republic of	0.041	0.029	0.076	0.068	0.068	0.086	0.094	0.094
Senegal	0.032	0.033	0.076	0.068	0.068	0.086	0.094	0.094
Azerbaijan	0.086	0.089	0.075	0.067	0.082	0.085	0.093	0.107
Cyprus	0.065	0.046	0.065	0.066	0.064	0.075	0.092	0.090

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Gabon	0.040	0.033	0.072	0.065	0.045	0.082	0.091	0.072
Georgia	0.030	0.030	0.070	0.063	0.044	0.080	0.089	0.071
Latvia	0.086	0.066	0.059	0.060	0.070	0.070	0.086	0.095
Namibia	0.023	0.021	0.064	0.057	0.040	0.074	0.084	0.067
Ethiopia	0.054	0.070	0.063	0.056	0.063	0.073	0.082	0.089
Papua New Guinea	0.030	0.020	0.062	0.055	0.055	0.072	0.082	0.082
Bahamas, The	0.022	0.018	0.061	0.055	0.038	0.071	0.081	0.066
Nicaragua	0.026	0.021	0.061	0.055	0.055	0.071	0.081	0.081
Honduras	0.052	0.041	0.061	0.054	0.052	0.071	0.081	0.079
Liberia	0.013	0.002	0.060	0.054	0.054	0.071	0.081	0.081
Moldova	0.021	0.015	0.058	0.052	0.036	0.068	0.078	0.064
Madagascar	0.026	0.025	0.057	0.051	0.051	0.067	0.078	0.078
Iceland	0.100	0.034	0.055	0.049	0.067	0.065	0.076	0.093
Mozambique	0.031	0.025	0.053	0.048	0.048	0.063	0.074	0.074
Guinea	0.014	0.013	0.050	0.045	0.045	0.060	0.072	0.072
Sierra Leone	0.006	0.006	0.049	0.044	0.044	0.059	0.071	0.071
Malta	0.035	0.018	0.048	0.043	0.035	0.058	0.070	0.063
Mauritius	0.027	0.022	0.048	0.043	0.030	0.058	0.070	0.058
Paraguay	0.043	0.039	0.047	0.042	0.042	0.057	0.069	0.069
Turkmenistan	0.062	0.051	0.035	0.041	0.050	0.046	0.068	0.077
Estonia	0.071	0.049	0.031	0.039	0.051	0.041	0.067	0.078
Mali	0.032	0.022	0.044	0.039	0.039	0.054	0.066	0.066
Suriname	0.010	0.006	0.043	0.039	0.027	0.054	0.066	0.055
Armenia	0.025	0.026	0.043	0.039	0.027	0.054	0.066	0.055
Guyana	0.007	0.004	0.043	0.038	0.027	0.053	0.065	0.055
Kyrgyz Republic	0.017	0.014	0.042	0.037	0.037	0.052	0.065	0.065
Botswana	0.049	0.036	0.029	0.037	0.041	0.040	0.064	0.068
Cambodia	0.034	0.033	0.041	0.037	0.037	0.052	0.064	0.064
Tajikistan	0.019	0.015	0.041	0.036	0.036	0.051	0.064	0.064
Congo, Republic of	0.034	0.024	0.040	0.035	0.034	0.050	0.063	0.062
Haiti	0.016	0.018	0.038	0.034	0.034	0.049	0.062	0.062
Somalia	0.002	0.002	0.038	0.034	0.034	0.049	0.062	0.062
Rwanda	0.011	0.013	0.037	0.034	0.034	0.048	0.061	0.061
Burundi	0.003	0.004	0.036	0.032	0.032	0.047	0.060	0.060
Togo	0.010	0.008	0.034	0.031	0.031	0.045	0.059	0.059

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Nepal	0.032	0.035	0.033	0.030	0.033	0.044	0.058	0.061
Fiji	0.012	0.008	0.033	0.029	0.021	0.044	0.057	0.049
Malawi	0.029	0.013	0.032	0.029	0.029	0.043	0.057	0.057
Macedonia, FYR	0.030	0.025	0.032	0.029	0.029	0.043	0.057	0.057
Barbados	0.013	0.009	0.032	0.028	0.020	0.042	0.056	0.048
Chad	0.032	0.024	0.026	0.028	0.029	0.037	0.056	0.057
Niger	0.013	0.014	0.031	0.028	0.028	0.042	0.055	0.055
Mauritania	0.011	0.009	0.030	0.027	0.027	0.041	0.055	0.055
Benin	0.023	0.018	0.029	0.026	0.026	0.040	0.054	0.054
Burkina Faso	0.019	0.024	0.028	0.025	0.025	0.039	0.053	0.053
Albania	0.031	0.031	0.023	0.025	0.029	0.034	0.053	0.057
Kosovo	0.016	0.015	--	0.025	0.017	--	0.053	0.046
Central African Republic	0.006	0.005	0.026	0.023	0.023	0.037	0.051	0.051
Lao People's Dem. Republic	0.014	0.016	0.025	0.022	0.022	0.036	0.050	0.050
Equatorial Guinea	0.052	0.030	0.015	0.022	0.033	0.026	0.050	0.061
Mongolia	0.015	0.013	0.024	0.021	0.015	0.035	0.050	0.044
Swaziland	0.016	0.009	0.024	0.021	0.016	0.035	0.050	0.045
Lesotho	0.010	0.005	0.016	0.015	0.015	0.027	0.043	0.043
Gambia, The	0.003	0.003	0.015	0.013	0.013	0.026	0.042	0.042
Montenegro	0.015	0.011	0.013	0.012	0.013	0.024	0.040	0.041
San Marino	0.012	0.005	0.008	0.009	0.010	0.019	0.038	0.039
Belize	0.006	0.004	0.009	0.008	0.006	0.020	0.037	0.035
Eritrea	0.006	0.005	0.007	0.008	0.008	0.019	0.037	0.037
Vanuatu	0.002	0.002	0.008	0.007	0.005	0.019	0.036	0.034
Djibouti	0.004	0.003	0.007	0.007	0.007	0.019	0.036	0.036
St. Lucia	0.004	0.003	0.007	0.006	0.004	0.018	0.035	0.034
Guinea-Bissau	0.002	0.001	0.007	0.006	0.006	0.018	0.035	0.035
Antigua and Barbuda	0.004	0.003	0.006	0.006	0.004	0.018	0.035	0.033
Grenada	0.003	0.002	0.005	0.005	0.003	0.017	0.034	0.033
Samoa	0.003	0.002	0.005	0.005	0.003	0.017	0.034	0.033
Cape Verde	0.005	0.004	0.004	0.005	0.005	0.016	0.034	0.034
Seychelles	0.005	0.003	0.004	0.005	0.005	0.015	0.034	0.034
Timor-Leste	0.007	0.003	0.004	0.005	0.005	0.015	0.034	0.034
Solomon Islands	0.003	0.002	0.005	0.004	0.004	0.016	0.034	0.034
Maldives	0.005	0.003	0.004	0.004	0.004	0.015	0.033	0.034

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Concluded)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre-Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Comoros	0.0019	0.0014	0.0042	0.0037	0.0037	0.0155	0.0329	0.0329
St. Kitts and Nevis	0.0022	0.0015	0.0042	0.0037	0.0026	0.0155	0.0329	0.0319
Bhutan	0.0050	0.0044	0.0029	0.0036	0.0043	0.0143	0.0328	0.0335
St. Vincent and the Grenadines	0.0024	0.0018	0.0039	0.0035	0.0025	0.0152	0.0327	0.0317
Dominica	0.0017	0.0012	0.0038	0.0034	0.0024	0.0152	0.0327	0.0317
São Tomé and Príncipe	0.0016	0.0005	0.0035	0.0031	0.0031	0.0148	0.0323	0.0323
Tonga	0.0013	0.0009	0.0032	0.0029	0.0020	0.0146	0.0321	0.0313
Kiribati	0.0018	0.0008	0.0026	0.0023	0.0018	0.0140	0.0316	0.0311
Micronesia, Fed. States of	0.0014	0.0011	0.0024	0.0021	0.0015	0.0138	0.0314	0.0308
Marshall Islands	0.0010	0.0007	0.0016	0.0015	0.0010	0.0131	0.0308	0.0304
Palau	0.0010	0.0007	0.0015	0.0015	0.0010	0.0129	0.0308	0.0304
Tuvalu	0.0004	0.0001	--	0.0008	0.0005	--	0.0301	0.0299

Source: Finance Department.

1/ See Annex I for a description of the allocation mechanism.
2/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.
3/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
4/ Basic votes are calculated using the agreed percentage of total votes, 5.502 percent of total votes (provided there are no fractional votes) as in the Proposed Amendment to Enhance Voice and Participation, which has not yet entered into effect.
5/ Includes China, P.R., Hong Kong SAR, and Macao SAR.

Annex II*

INTERNATIONAL MONETARY FUND

Fourteenth General Review of Quotas and Reform of the Executive Board—Report of the Executive Board to the Board of Governors

November 5, 2010

I. Introduction

1. After an intensive debate, the Executive Board has agreed on a set of quota and governance reforms that will strengthen the Fund's legitimacy and effectiveness. The distribution of quotas and voting power has been a long-standing concern. The Board of Governors 2008 Resolution on Reform of Quota and Voice in the International Monetary Fund requested that the Executive Board recommend further realignments of members' quota shares in the context of future general quota reviews, beginning with the Fourteenth Review, to ensure that they continue to reflect members' relative positions in the world economy.[1] In the context of the global crisis, the International Monetary and Financial Committee (IMFC) in its April 2009 Communiqué called on the Executive Board to bring forward the deadline for completing the Fourteenth General Review by two years to January 2011.[2] In April 2010, the IMFC pledged to complete the quota review before January 2011, in line with the parameters agreed by the IMFC in October 2009, and in parallel to deliver on other governance reforms.[3]

2. In recent years, there have been extensive discussions both within and outside the Fund on the need to reform the Fund's governance framework. While these discussions have covered a broad range of issues, a great deal of attention has been devoted to the size and composition of the Executive Board, and the possibility of establishing an Executive Board that would be composed solely of elected Executive Directors. Many have regarded the approach taken in the current Articles, under which certain members are entitled to appoint Executive Directors, as an anachronism.

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[*] This annex reflects the final report of the Executive Board to the Board of Governors.

[1] Resolution No. 63-2, Reform of Quota and Voice in the International Monetary Fund, *adopted effective April 28, 2008.*

[2] *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (4/25/09) and Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (10/4/09).*

[3] *Communiqué of the Twenty-First Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (4/24/10).*

3. Drawing on the extensive discussions that have taken place in the Committee of the Whole and at the Executive Board,[4] this report sets out a proposal for a package of reforms, and to that end, recommends that the Board of Governors approve the resolution that is appended to this report (the "Resolution"). With respect to the proposed increases in quotas under the Fourteenth General Review, this report and the attached Resolution are submitted to the Board of Governors in accordance with Article III, Section 2 of the Articles of Agreement.[5]

4. This report is organized as follows: Section II sets out the proposal for the completion of the Fourteenth General Review of Quotas. Section III provides a commentary on the proposed amendment of the Articles of Agreement, set forth in Attachment II of the Resolution, that would establish an Executive Board consisting solely of elected Executive Directors. Proposals related to the appointment of additional Alternate Executive Directors and the size and composition of the Executive Board are discussed in Section IV. Section V summarizes procedural issues related to the quota increases, the proposed amendment and the adoption of the Resolution. The Resolution is set forth in the Appendix.

II. Proposal For the Fourteenth General Review Of Quotas

5. The conduct of the Fourteenth General Review of Quotas has been guided by the views expressed by the IMFC. At its meeting in October 2009, the IMFC stated that quota reform is crucial for increasing the legitimacy and effectiveness of the Fund. It emphasized that the IMF is and should remain a quota-based institution. It recognized that the distribution of quota shares should reflect the relative weights of the Fund's members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries (EMDCs). In this context, the IMFC supported a shift in quota shares to dynamic EMDCs of at least five percent from over-represented countries to under-represented countries using the current formula as the basis to work from. The IMFC also committed to protecting the voting share of the poorest members.

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[4] For purposes of this Report, the Executive Board and the Committee of the Whole are both referred to, for convenience, as the Executive Board.

[5] Article III, Section 2(a) provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." The five-year period prescribed by Article III, Section 2(a) for the Fourteenth General Review of Quotas ends on January 28, 2013, five years from the date on which the previous review of quotas was concluded. In its April 2009 Communiqué, the IMFC called for a prompt start to the Fourteenth General Review of Quotas, to be completed by January 2011—some two years ahead of schedule. In line with Rule D-3 of the Fund's Rules and Regulations, the decision to conduct a general review of quotas before the time at which such a review must be undertaken by the Board of Governors required the Executive Board to appoint a Committee of the Whole for this purpose. The Committee of the Whole was formed at the time of the 2009 Annual Meetings.

6. In its discussions on the Fourteenth General Review of Quotas, the Executive Board has considered, inter alia, the size of the overall increase in quotas, the size and definition of the targeted shifts in quota shares, the role of the current formula in allocating quota increases and the scope for using alternative metrics to distribute part of the increase, and the modalities for protecting the poorest members. The proposal outlined below reflects a difficult compromise, bridging considerable differences in views among Directors on each of these issues.

7. In assessing the Fund's need for resources over the medium term in order to carry out its purposes, the Executive Board stressed that the Fund is and should remain a quota-based institution, notwithstanding the recent large increase in its borrowed resources. The Executive Board noted that a range of indicators show that the relative size of the Fund has declined substantially since the last general quota increase twelve years ago. In addition, recent events have highlighted the fact that global financial crises can have broad dimensions, potentially affecting a wide group of members, while the recent reforms of the Fund's facilities could potentially expand the range of members that may seek Fund support in the future.

8. Given these considerations, the Executive Board now proposes to the Board of Governors that the total of Fund quotas agreed in the context of the 2008 quota and voice reform be increased by 100 percent from approximately SDR 238.4 billion to approximately SDR 476.8 billion. In light of the proposed increases in quotas under the Fourteenth General Review, it is further proposed that the Executive Board and participants in the New Arrangements to Borrow (NAB) undertake a review of NAB credit arrangements by November 2011, with a corresponding roll-back of the NAB, preserving relative shares, to become effective when the general conditions for the effectiveness of quota increases under the Fourteenth General Review are met (see paragraph 27 below) and the related quota payments have been made (i.e., payments associated with the 70 percent effectiveness threshold). The Executive Board notes that the quota increases agreed under the 2008 quota and voice reform are not yet effective as the Proposed Voice and Participation Amendment approved under the 2008 reform has not yet entered into force. The Executive Board calls upon all members that have not yet done so to complete their necessary domestic processes and notify the Fund of their acceptances of the Proposed Voice and Participation Amendment as expeditiously as possible.

9. In considering the realignment of quota shares, the Executive Board has been guided by the objectives laid out by the IMFC in October 2009 and reiterated in April 2010. The proposed realignment of quota shares exceeds the minimum targets set by the IMFC. In particular, the shifts to dynamic EMDCs and from over- to under-represented countries both exceed 6 percent, and the

voting share of the poorest members is protected. To achieve these results, the Executive Board proposes that the quota increase be distributed as follows:[6]

- 60 percent of the overall increase would be distributed as selective increases in proportion to members' shares in calculated quotas using the current quota formula (based on data through 2008);

- The remaining 40 percent of the overall increase would be distributed as ad hoc increases to a subset of members, based on the following elements:

  - members that are PRGT-eligible and met the IDA income cut-off of US$ 1,135 in 2008 (or twice that amount for small countries) plus Zimbabwe maintain at least their quota share after the 2008 reform (i.e., their post second-round quota share);

  - members that are under-represented under the formula but not under the compressed GDP blend variable[7] receive their quota share after the selective increase (i.e., their post selective quota share);

  - members that are under-represented using the compressed GDP blend variable receive a uniform proportionate reduction in the difference between their share in the compressed GDP blend variable and their post-selective quota share, or one-half of the reduction for advanced country members that are also under-represented under the formula. Advanced country members that are over-represented under the formula but under-represented using the compressed GDP blend variable are capped at their share after the 2008 reform;

  - members that are over-represented are protected from falling below the higher of their share based on the formula or the compressed GDP blend;

  - no member's nominal quota is increased by more than 220 percent;

  - no member's quota share declines by more than 30 percent from its share after the 2008 reform or by more than 0.85 percentage points; and

[6] The starting point for the quota adjustments is members' quotas after full implementation of the 2008 ad hoc quota increase; the effectiveness of these 2008 quotas is contingent on the entry into force of the Proposed Voice and Participation Amendment, which is still awaiting approval by the membership.

[7] The compressed GDP variable is the weighted average of market-based GDP (60 percent weight) and PPP-based GDP (40 percent), compressed by a factor of 0.95.

- quota shares for G-20 advanced country members are reduced by 1.37 percent from the results of combining the above elements, and by 1.35 percent for other advanced country members.

10. The proposed quotas for Australia, Canada, France, Germany, Italy, Japan, Saudi Arabia, Singapore, Spain, Tonga, the United Kingdom, and the United States reflect additional adjustments, but leave unchanged the increases in quotas for all other members as determined in accordance with the principles under paragraph 9 above. The Executive Board notes that France and the United Kingdom have agreed to maintain the equal distribution of quotas between themselves under the Fourteenth General Review as first agreed under the Ninth General Review and maintained under the Eleventh General Review.

11. The proposed quotas determined in accordance with paragraph 9 above have been rounded to the nearest multiple of SDR 0.1 million. In addition to taking into account proposed quotas under the 2008 quota and voice reform as discussed in footnote 6 above, the quotas proposed under the Fourteenth Review for those members that have not yet consented and/or paid for their proposed quota increases under the Eleventh General Review have been calculated on the basis of their proposed Eleventh Review quotas.

12. The procedures to implement the quota increase are summarized in Section V. The list of proposed quotas for all members is included as Attachment I to the proposed Resolution. It is proposed that best efforts be made for the quota increase and shift in shares to enter into force by the 2012 Annual Meetings.

13. ***Formula Review***. The Executive Board proposes to complete a comprehensive review of the formula by January 2013.

14. ***Quota Review***. The Executive Board proposes to bring forward the timetable for completion of the Fifteenth General Review of Quotas to January 2014. Any realignment is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. It is proposed that steps also be taken to protect the voice and representation of the poorest members.

III. Commentary on Proposed Amendment on Reform of The Executive Board

15. ***Election of all Executive Directors***. The Articles of Agreement currently establish two categories of Executive Directors: those who are appointed, and those who are elected. The proposed amendment of the Articles set out in Attachment II of the Resolution would eliminate the category of appointed Executive Directors and require that all Executive Directors be elected. Except as discussed below, the election, tenure and status of elected Executive Directors would remain unchanged.

16. ***Size of the Executive Board***. The Articles of Agreement currently provide for an Executive Board composed of a total of 20 Executive Directors (5 appointed and 15 elected), but authorize the Board of Governors to increase or decrease the number of elected Executive Directors for the purpose of each regular election of Executive Directors. Taking into account the fact that all Executive Directors would be elected, the proposed amendment would maintain both the general rule regarding the total size of the Executive Board and the mechanism by which this size may be adjusted. Specifically, under the proposed amendment, while the Executive Board would consist of 20 Executive Directors (all of whom would be elected), the Articles would continue to authorize the Board of Governors, by an eighty-five percent majority of the total voting power, to increase or decrease the number of Executive Directors for the purpose of each regular election of Executive Directors.

17. ***Regulations governing the regular election of Executive Directors***. While the current Articles of Agreement require regular elections of Executive Directors to take place in accordance with the "default" election rules set forth in Schedule E, they also authorize the Fund to supplement and modify these rules. In particular, the Board of Governors, by a majority of the votes cast, may issue regulations making changes in the proportion of votes required to elect Executive Directors under the provisions of Schedule E. Given the general rule set forth in the Articles regarding the number of elected Executive Directors (i.e., 15), Schedule E establishes rules regarding the maximum and minimum percentage of eligible votes that may elect an Executive Director, which are based on 15 elective Executive Directors (as noted in the Commentary to the Second Amendment).[8] As the Board of Governors has over the years consistently exercised its authority to increase the number of elective Executive Directors beyond 15, it has also consistently modified these rules. In particular, the election rules have typically provided that the four percent minimum percentage specified in Schedule E would not apply in circumstances where the number of candidates nominated equals the number of Executive Director positions to be filled.

18. Replicating the above approach under the proposed amendment would require modifying the "default" rules set forth in Schedule E to take into account the fact that, following the proposed amendment: (a) the general rule under the Articles would provide for the election of 20 Executive Directors (rather than 15); and (b) the eligible votes would need to take into account the total voting power (rather than the voting power less votes cast by members who appoint Executive Directors). Moreover, as the membership has expressed a commitment to increase the number of Executive Directors to 24 at the time of each regular election (including those held after the proposed amendment enters into force), these rules would also need to be further modified at the time of each regular election to take into account this increase.

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[8] *Proposed Second Amendment to the Articles of Agreement of the International Monetary Fund—A Report by the Executive Board to the Board of Governors*, 1976, Part II, Chapter O, Paragraph 2(e).

19. To avoid the complexities of implementing the above approach, the proposed amendment would eliminate the "default" election rules set forth in Schedule E and simply require the Board of Governors to adopt regulations (by a majority of the votes cast) that would govern the conduct of each regular election. The proposed amendment would require the regulations to establish a limit on the total number of votes that more than one member may cast for the same candidate. Any such limit could be modified from time to time and would need to be designed to take into account the objective of, on the one hand, avoiding an excessive concentration of voting power in multi-country constituencies and, on the other hand, allowing for adequate flexibility to enable members to form constituencies on a voluntary basis. The regulations could also establish a minimum threshold of votes required to elect an Executive Director. This approach would obviate the need for a two-step procedure of: (a) first, establishing new "default" election rules under Schedule E that would correspond to the higher number of elected Executive Directors established under the proposed amendment (i.e., 20); and (b) second, further modifying these election rules at the time of each regular election to take into account the commitment of the Fund's membership to increase the number of Executive Directors to 24 for the purposes of each regular election.

20. ***Consequential amendments of the Articles***. There are a number of other provisions in the Articles that make reference to appointed Executive Directors that would need to be deleted or amended in light of the amendments discussed above. These provisions are as follows: Article XII, Sections 3(f), 3*(i)*(i)-(v), 3(j) and 8; Article XXI(a)(ii); Article XXIX(a); Schedule D, paragraphs 1(a), 5(e) and 5(f); Schedule E; and Schedule L, paragraphs 1(b) and 3(c). The revisions under the proposed amendment do not make changes to these provisions beyond those resulting from the elimination of the category of appointed Executive Directors.

21. ***Transitional provisions***. Upon the entry into force of the amendment, there would no longer be a category of appointed Executive Directors under the Articles. However, upon the entry into force of the amendment, there would be Executive Directors in office who had been appointed pursuant to the relevant provisions of the current Articles of Agreement. To address the transition from an Executive Board comprised of both appointed and elected Directors to a Board comprised solely of elected Executive Directors, the proposed amendment includes transitional provisions to govern the period between the entry into force of the amendment and the first election following such entry into force. It is proposed that, during this period, each Executive Director in office who had been appointed under existing Article XII, Section 3(b)(i) or Section 3(c) would be deemed to have been elected by the member that appointed him (and, in the case of Executive Directors appointed under existing Article XII, Section 3(c), by any other members that had agreed to have the Executive Director cast the number of votes allotted to those other members). The status of Executive Directors who are deemed to be elected under these transitional rules will be identical to the status of other elected Executive Directors. More generally, and as provided under Article XII, Section 3(f), all Executive Directors in office at the time of the entry into force of the proposed amendment would continue in office until their successors are elected.

22. ***Consequential amendments of the By-Laws and Rules and Regulations***. It will also be necessary to amend the provisions of the Fund's By-Laws and Rules and Regulations in due course that address the elimination of the category of appointed Executive Directors. These amendments can be proposed prior to, and become effective on, the date of entry into force of the proposed amendment.

IV. OTHER GOVERNANCE REFORMS

Second Alternate Executive Director

23. Beyond the quota-related issues and the proposed amendment of the Fund's Articles described above, the Resolution proposed in the Appendix addresses other related matters, including the rules governing the appointment of a second Alternate Executive Director. The 2008 Board of Governors Resolution approving the Proposed Voice and Participation Amendment (paragraph D.1 of Resolution 63-2, adopted April 28, 2008) also provided that, following the first regular election of Executive Directors after entry into force of the Proposed Voice and Participation Amendment, an Executive Director elected by at least 19 members would be entitled to appoint two Alternate Executive Directors.

24. Although the Proposed Voice and Participation Amendment has not yet entered into force, it is proposed that the threshold of 19 members specified in Resolution 63-2 be lowered and, specifically, that following the first regular election of Executive Directors after the entry into force of that proposed amendment, any Executive Director who is elected by 7 or more members would be entitled to appoint two Alternate Executive Directors. A provision establishing this new threshold is set out in the proposed Resolution (paragraphs 15-16); it would supersede the 19 member threshold set forth in Resolution 63-2 and, similar to that previous threshold, would only become effective after the first regular election of Executive Directors following the entry into force of the Proposed Voice and Participation Amendment. This threshold could be further modified by the Board of Governors by a majority of the votes cast.

Review of Executive Board Size and Composition

25. A second related issue concerns the review by the Board of Governors of the size of the Executive Board. As discussed earlier, the proposed amendment maintains both the general rule regarding the total size of the Executive Board and the mechanism by which this size may be adjusted. At the same time, and as is noted in paragraph 17 of the proposed Resolution, the Fund's membership has expressed its commitment to maintain the Executive Board at its current size of 24 Executive Directors even after the current proposed amendment on reform of the Executive Board enters into force, and to review the composition of the Board every 8 years following the date the general conditions for the effectiveness of quota increases under the Fourteenth General Review (discussed in paragraph 27 below) are met. As a legal matter, however, this commitment would not

obviate the need for the Board of Governors to take a decision to increase the number of Executive Directors to 24 at the time of each regular election—nor would it require the Board of Governors to approve such an increase.

26. Finally, it is well accepted that representation at the Executive Board must continue to be based on the principle of voluntary constituency formation. Facilitating a re-composition of the Executive Board, therefore, requires the pro-active participation of members to consolidate constituencies and otherwise develop mechanisms for sharing the Executive Director's chair. To facilitate this, the proposed Resolution notes a commitment to reduce the number of Executive Directors representing advanced European countries by 2 in favor of EMDCs.[9] This is to be measured by the time pro-rated in the Executive Director's chair (e.g., rotation of an EMDC into an advanced European Executive Director chair for one period out of two counts as ½). The reduction would be implemented no later than the first election after the general conditions for the effectiveness of quota increases under the Fourteenth General Review (see paragraph 27 below) are met.

V. Procedure

Quota Increases

27. The proposed Resolution specifies that no quota increase under the Fourteenth General Review can become effective until three general conditions are met: (i) the Executive Board determines that members having not less than 70 percent of the total of quotas on November 5, 2010 have consented in writing to the increases in their quotas; (ii) the proposed amendment of the Articles of Agreement on the reform of the Executive Board (Attachment II of the proposed Resolution) has entered into force; and (iii) the 2008 Proposed Voice and Participation Amendment has entered into force. Conditions (ii) and (iii) reflect the understanding that these separate amendments and their related quota and governance components are all part of a single package of reforms. Regarding (i), a minimum participation threshold has been used in recent general quota reviews and ensures that the quotas of individual members will not begin to change until a specified critical mass of members has consented to the quota reform.

28. The remaining procedures applicable to quota increases follow the approach relied upon in recent quota reviews. Accordingly, while the proposed Resolution specifies that a member must consent to its increase by December 31, 2011, the Executive Board has the authority to extend this period. A member's quota cannot be increased until it has paid for the increase. The proposed Resolution provides that a member must pay its quota within 30 days after the later of (a) the date

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[9] An Executive Director from a multi-country constituency will be taken to "represent" an advanced European member when that member has the right under the constituency agreement to select the Executive Director.

on which the member notifies the Fund of its consent, or (b) the date on which all of the conditions specified in paragraph 27 above have been met. A member may not make such a payment unless it is current in its obligations to the General Resources Account, and the proposed resolution authorizes the Executive Board to extend the period for payment. Each member is to pay 25 percent of its increase in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies; the balance of the increase is to be paid in the member's own currency.

Amendment of the Articles of Agreement

29. The procedure for amending the Articles of Agreement is set forth in Article XXVIII. Under this Article, a proposed amendment is to be communicated to the Chairman of the Board of Governors for consideration by the Board of Governors. If the proposed amendment is approved by the Board of Governors, the Fund is to ask all members whether they accept it. When three-fifths of the members having eighty-five percent of the total voting power have accepted the proposed amendment, the Fund is to certify that fact by a formal communication to all members.

30. Under Article XXVIII(c), an amendment enters into force for each member, regardless of whether or not it has accepted the amendment, three months after the date of the Fund's formal communication described in paragraph 29 above, unless a shorter period is specified. In the case of the amendment now being proposed, the Executive Board recommends that the amendment should enter into force for all members as of the date of the Fund's formal communication. In the event the proposed amendment would enter into force shortly before the date of effectiveness of a regular election of Executive Directors, the Board of Governors would need to put in place appropriate arrangements to ensure the election would be organized under the amended provisions of the Articles.

Adoption of the Board of Governors Resolution

31. The Appendix to this Report contains the text of the Resolution, to which is attached the text of the proposed amendment and the proposed new quotas of members discussed above. The Chairman of the Board of Governors has requested that, on his behalf, the Secretary of the Fund should bring the Resolution and proposed amendment before the Board of Governors for its approval. It is pursuant to this request that the Secretary is transmitting this Report to the Board of Governors.

32. In the judgment of the Executive Board, the action requested of the Board of Governors should not be postponed until the next regular meeting of the Board of Governors and does not warrant the calling of a special meeting of the Board of Governors. For this reason, the Executive Board, pursuant to Section 13 of the By-Laws, requests Governors to vote without

meeting. To be valid, votes must be received at the seat of the Fund before 6:00 p.m., Washington, D.C. time, December 15, 2010.

33. Considering that the Resolution proposes adjustments in the quotas of members as set out in Attachment I of the Resolution, the adoption of the Resolution requires positive responses from Governors having an eighty-five percent majority of the total voting power. The Resolution must be voted on as a whole.

Appendix

Resolution No. [ ]

Fourteenth General Review of Quotas and Reform of the Executive Board

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Fourteenth General Review of Quotas and Reform of the Executive Board: Report of the Executive Board to the Board of Governors," hereinafter the "Report"; and

WHEREAS the International Monetary and Financial Committee in its April 2009 Communiqué called on the Executive Board to bring forward the deadline for completion of the Fourteenth General Review of Quotas by two years, to January 2011; and

WHEREAS the Executive Board has recommended increases in the quotas of members of the Fund as a result of the Fourteenth General Review of Quotas; and

WHEREAS the Executive Board has recommended an amendment of the Articles of Agreement to establish an Executive Board consisting solely of elected Executive Directors; and

WHEREAS the Executive Board has recommended that, following the first regular election of Executive Directors after entry into force of the proposed amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2, an Executive Director elected by 7 or more members should be entitled to appoint two Alternate Executive Directors; and

WHEREAS the Chairman of the Board of Governors has requested the Secretary of the Fund to bring the proposal of the Executive Board before the Board of Governors; and

WHEREAS the Report of the Executive Board setting forth its proposal has been submitted to the Board of Governors by the Secretary of the Fund; 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:

Increases in Quotas of Members

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in Attachment I to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless that member has consented in writing to the increase not later than the date prescribed by or under paragraph 4 below and has paid the increase in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of those obligations.

3. No increase in quotas proposed by this Resolution shall become effective until:

   (i) the Executive Board has determined that members having not less than 70 percent of the total of quotas on November 5, 2010 have consented in writing to the increases in their quotas;

   (ii) the proposed amendment of the Articles of Agreement set out in Attachment II of this Resolution has entered into force; and

   (iii) the proposed amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2 has entered into force.

   Each member commits to use its best efforts to complete these steps no later than the Annual Meetings in 2012. The Executive Board is requested to monitor, on a quarterly basis, the progress made in the implementation of these steps.

4. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, December 31, 2011, provided that the Executive Board may extend this period as it may determine.

5. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date on which all of the conditions set forth in paragraph 3 above are met, provided that the Executive Board may extend the payment period as it may determine.

6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges or assessments to the General Resources Account that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

7. For members that have not yet consented to their increases in quotas under the Eleventh General Review and under Board of Governors Resolution No. 63-2, the deadline for consent to such quota increases shall be the date determined by or under paragraph 4 above.

8. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

Quota Formula and Fifteenth General Review of Quotas

9. The Executive Board is requested to complete a comprehensive review of the formula by January 2013.

10. The Executive Board is requested to bring forward the timetable for completion of the Fifteenth General Review of Quotas to January 2014. Any realignment is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. Steps shall be taken to protect the voice and representation of the poorest members.

Review of NAB Credit Arrangements

11. In light of the proposed increases in quotas under the Fourteenth General Review, the Executive Board and participants in the New Arrangements to Borrow (NAB) are requested to undertake a review of NAB credit arrangements by November 2011, with a corresponding roll-back of the NAB, preserving relative shares, to become effective when the conditions set forth in paragraph 3 of this Resolution are met and the quota payments associated with the participation threshold in paragraph 3(i) of this Resolution have been made.

Proposed Amendment of the Articles of Agreement of the International Monetary Fund on the Reform of the Executive Board

12. The proposed amendment of the Articles of Agreement of the International Monetary Fund set forth in Attachment II to this Resolution (the "Proposed Amendment on the Reform of the Executive Board") is approved.

13. The Secretary is directed to ask all members of the Fund, by circular letter or telegram, or other rapid means of communication, whether they accept, in accordance with the provisions of Article XXVIII of the Articles, the Proposed Amendment on the Reform of the Executive Board.

14. The communication to be sent to all members in accordance with paragraph 13 of this Resolution shall specify that the Proposed Amendment on the Reform of the Executive Board shall enter into force for all members on the date on which the Fund certifies, by a formal communication addressed to all members, that three-fifths of the members, having eighty-five percent of the total voting power, have accepted the Proposed Amendment on the Reform of the Executive Board.

Additional Alternate Executive Directors

15. Following the first regular election of Executive Directors after the entry into force of the amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2, an Executive Director elected by seven or more members shall be entitled to appoint two Alternate Executive Directors.

16. As a condition for appointing two Alternate Executive Directors, an Executive Director is required to designate by notification to the Secretary of the Fund: (i) the Alternate who shall act for the Executive Director when he is not present and both Alternates are present; and (ii) the Alternate who shall exercise the powers of the Executive Director pursuant to Article XII, Section 3(f). By notification to the Secretary of the Fund, an Executive Director may change these designations at any time.

Size and Composition of the Executive Board

17. The Board of Governors takes note of: (i) the commitment to reduce, as a means of achieving greater representation of emerging market and developing countries, the number of Executive Directors representing advanced European countries by two no later than the first regular election of Executive Directors after the conditions set forth in paragraph 3 of this Resolution are met, and (ii) the commitment of the Fund's membership to maintain an Executive Board consisting of 24 Executive Directors, and to review the composition of the Executive Board every eight years following the date the conditions set forth in paragraph 3 of this Resolution are met.

Attachment I. Proposed Quotas

	Proposed Quota (in millions of SDRs)		Proposed Quota (in millions of SDRs)
Afghanistan, Islamic Republic of	323.8	El Salvador	287.2
Albania	139.3	Equatorial Guinea	157.5
Algeria	1,959.9	Eritrea	36.6
Angola	740.1	Estonia	243.6
Antigua and Barbuda	20.0	Ethiopia	300.7
Argentina	3,187.3	Fiji	98.4
Armenia	128.8	Finland	2,410.6
Australia	6,572.4	France	20,155.1
Austria	3,932.0	Gabon	216.0
Azerbaijan	391.7	Gambia, The	62.2
Bahamas, The	182.4	Georgia	210.4
Bahrain	395.0	Germany	26,634.4
Bangladesh	1,066.6	Ghana	738.0
Barbados	94.5	Greece	2,428.9
Belarus	681.5	Grenada	16.4
Belgium	6,410.7	Guatemala	428.6
Belize	26.7	Guinea	214.2
Benin	123.8	Guinea-Bissau	28.4
Bhutan	20.4	Guyana	181.8
Bolivia	240.1	Haiti	163.8
Bosnia and Herzegovina	265.2	Honduras	249.8
Botswana	197.2	Hungary	1,940.0
Brazil	11,042.0	Iceland	321.8
Brunei Darussalam	301.3	India	13,114.4
Bulgaria	896.3	Indonesia	4,648.4
Burkina Faso	120.4	Iran, Islamic Republic of	3,567.1
Burundi	154.0	Iraq	1,663.8
Cambodia	175.0	Ireland	3,449.9
Cameroon	276.0	Israel	1,920.9
Canada	11,023.9	Italy	15,070.0
Cape Verde	23.7	Jamaica	382.9
Central African Republic	111.4	Japan	30,820.5
Chad	140.2	Jordan	343.1
Chile	1,744.3	Kazakhstan	1,158.4
China	30,482.9	Kenya	542.8
Colombia	2,044.5	Kiribati	11.2
Comoros	17.8	Korea, Republic of	8,582.7
Congo, Democratic Republic of the	1,066.0	Kosovo	82.6
Congo, Republic of	162.0	Kuwait	1,933.5
Costa Rica	369.4	Kyrgyz Republic	177.6
Côte d'Ivoire	650.4	Lao People's Dem. Republic	105.8
Croatia	717.4	Latvia	332.3
Cyprus	303.8	Lebanon	633.5
Czech Republic	2,180.2	Lesotho	69.8
Denmark	3,439.4	Liberia	258.4
Djibouti	31.8	Libya	1,573.2
Dominica	11.5	Lithuania	441.6
Dominican Republic	477.4	Luxembourg	1,321.8
Ecuador	697.7	Macedonia, Former Yugoslav Republi	140.3
Egypt	2,037.1	Madagascar	244.4

Proposed Quotas (Concluded)

	Proposed Quota (in millions of SDRs)		Proposed Quota (in millions of SDRs)
Malawi	138.8	Sierra Leone	207.4
Malaysia	3,633.8	Singapore	3,891.9
Maldives	21.2	Slovak Republic	1,001.0
Mali	186.6	Slovenia	586.5
Malta	168.3	Solomon Islands	20.8
Marshall Islands	4.9	Somalia	163.4
Mauritania	128.8	South Africa	3,051.2
Mauritius	142.2	Spain	9,535.5
Mexico	8,912.7	Sri Lanka	578.8
Micronesia, Federated States of	7.2	St. Kitts and Nevis	12.5
Moldova	172.5	St. Lucia	21.4
Mongolia	72.3	St. Vincent and the Grenadines	11.7
Montenegro	60.5	Sudan	630.2
Morocco	894.4	Suriname	128.9
Mozambique	227.2	Swaziland	78.5
Myanmar	516.8	Sweden	4,430.0
Namibia	191.1	Switzerland	5,771.1
Nepal	156.9	Syrian Arab Republic	1,109.8
Netherlands	8,736.5	Tajikistan	174.0
New Zealand	1,252.1	Tanzania	397.8
Nicaragua	260.0	Thailand	3,211.9
Niger	131.6	Timor-Leste	25.6
Nigeria	2,454.5	Togo	146.8
Norway	3,754.7	Tonga	13.8
Oman	544.4	Trinidad and Tobago	469.8
Pakistan	2,031.0	Tunisia	545.2
Palau	4.9	Turkey	4,658.6
Panama	376.8	Turkmenistan	238.6
Papua New Guinea	263.2	Tuvalu	2.5
Paraguay	201.4	Uganda	361.0
Peru	1,334.5	Ukraine	2,011.8
Philippines	2,042.9	United Arab Emirates	2,311.2
Poland	4,095.4	United Kingdom	20,155.1
Portugal	2,060.1	United States	82,994.2
Qatar	735.1	Uruguay	429.1
Romania	1,811.4	Uzbekistan	551.2
Russian Federation	12,903.7	Vanuatu	23.8
Rwanda	160.2	Venezuela, R.B. de	3,722.7
Samoa	16.2	Vietnam	1,153.1
San Marino	49.2	Yemen, Republic of	487.0
São Tomé and Príncipe	14.8	Zambia	978.2
Saudi Arabia	9,992.6	Zimbabwe	706.8
Senegal	323.6		
Serbia	654.8		
Seychelles	22.9		

Attachment II

Proposed Amendment of
the Articles of Agreement of the International Monetary Fund
on the Reform of the Executive Board

The Governments on whose behalf the present Agreement is signed agree as follows:

1. **The text of Article XII, Section 3(b) shall be amended to read as follows**:

"(*b*) Subject to (*c*) below, the Executive Board shall consist of twenty Executive Directors elected by the members, with the Managing Director as chairman."

2. **The text of Article XII, Section 3(c) shall be amended to read as follows**:

"(*c*) For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors specified in (*b*) above."

3. **The text of Article XII, Section 3(d) shall be amended to read as follows**:

"(*d*) Elections of Executive Directors shall be conducted at intervals of two years in accordance with regulations which shall be adopted by the Board of Governors. Such regulations shall include a limit on the total number of votes that more than one member may cast for the same candidate."

4. **The text of Article XII, Section 3(f) shall be amended to read as follows**:

"(*f*) Executive Directors shall continue in office until their successors are elected. If the office of an Executive Director becomes vacant more than ninety days before the end of his term, another Executive Director shall be elected for the remainder of the term by the members that elected the former Executive Director. A majority of the votes cast shall be required for election. While the office remains vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate."

5. **The text of Article XII, Section 3(i) shall be amended to read as follows**:

"(i) (i) Each Executive Director shall be entitled to cast the number of votes which counted towards his election.

(ii) When the provisions of Section 5(*b*) of this Article are applicable, the votes which an Executive Director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which an Executive Director is entitled to cast shall be cast as a unit.

(iii) When the suspension of the voting rights of a member is terminated under Article XXVI, Section 2(*b*), the member may agree with all the members that have elected an Executive Director that the number of votes allotted to that member shall be cast by such Executive Director, provided that, if no regular election of Executive Directors has been conducted during the period of the suspension, the Executive Director in whose election the member had participated prior to the suspension, or his successor elected in accordance with paragraph 3(*c*)(i) of Schedule L or with (*f*) above, shall be entitled to cast the number of votes allotted to the member. The member shall be deemed to have participated in the election of the Executive Director entitled to cast the number of votes allotted to the member."

6. **The text of Article XII, Section 3(j) shall be amended to read as follows**:

"(*j*) The Board of Governors shall adopt regulations under which a member may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration."

7. **The text of Article XII, Section 8 shall be amended to read as follows:**

"The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a seventy percent majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. The relevant member shall be entitled to representation in accordance with Section 3(*j*) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members."

8. **The text of Article XXI(a)(ii) shall be amended to read as follows**:

"(*a*) (ii) For decisions by the Executive Board on matters pertaining exclusively to the Special Drawing Rights Department only Executive Directors elected by at least one member that is a participant shall be entitled to vote. Each of these Executive Directors shall be entitled to cast the number of votes allotted to the members that are participants whose votes counted towards his election. Only the presence of Executive Directors elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority."

9. **The text of Article XXIX(a) shall be amended to read as follows:**

"(*a*) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision. If the question particularly affects any member, it shall be entitled to representation in accordance with Article XII, Section 3(*j*)."

10. **The text of paragraph 1(a) of Schedule D shall be amended to read as follows:**

"(*a*) Each member or group of members that has the number of votes allotted to it or them cast by an Executive Director shall appoint to the Council one Councillor, who shall be a Governor, Minister in the government of a member, or person of comparable rank, and may appoint not more than seven Associates. The Board of Governors may change, by an eighty-five percent majority of the total voting power, the number of Associates who may be appointed. A Councillor or Associate shall serve until a new appointment is made or until the next regular election of Executive Directors, whichever shall occur sooner."

11. **The text of paragraph 5(e) of Schedule D shall be deleted.**

12. **Paragraph 5(f) of Schedule D shall be renumbered 5(e) of Schedule D and the text of the new paragraph 5(e) shall be amended to read as follows:**

"(*e*) When an Executive Director is entitled to cast the number of votes allotted to a member pursuant to Article XII, Section 3(*i*)(iii), the Councillor appointed by the group whose members elected such Executive Director shall be entitled to vote and cast the number of votes allotted to such member. The member shall be deemed to have participated in the appointment of the Councillor entitled to vote and cast the number of votes allotted to the member."

13. **The text of Schedule E shall be amended to read as follows**:

"Transitional Provisions with Respect to Executive Directors

1. Upon the entry into force of this Schedule:

(*a*) Each Executive Director who was appointed pursuant to former Article XII, Sections 3(*b*)(i) or 3(*c*), and was in office immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by the member who appointed him; and

(*b*) Each Executive Director who cast the number of votes of a member pursuant to former Article XII, Section 3(*i*)(ii) immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by such a member."

14. **The text of paragraph 1(b) of Schedule L shall be amended to read as follows:**

"(*b*) appoint a Governor or Alternate Governor, appoint or participate in the appointment of a Councillor or Alternate Councillor, or elect or participate in the election of an Executive Director."

15. **The text of the chapeau of paragraph 3(c) of Schedule L shall be amended to read as follows**:

"(*c*) The Executive Director elected by the member, or in whose election the member has participated, shall cease to hold office, unless such Executive Director was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended. In the latter case:"

Annex III

Proposed Amendment of
the Articles of Agreement of the International Monetary Fund
on the Reform of the Executive Board—Redline Version

Article XII, Section 3

Section 3. *Executive Board*

[…]

(*b*) Subject to (*c*) below, ~~T~~the Executive Board shall consist of twenty Executive Directors elected by the members, with the Managing Director as chairman. ~~Of the Executive Directors:~~

~~(i) five shall be appointed by the five members having the largest quotas; and~~

~~(ii) fifteen shall be elected by the other members.~~

~~For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors in (ii) above. The number of Executive Directors in (ii) above shall be reduced by one or two, as the case may be, if Executive Directors are appointed under (*c*) below, unless the Board of Governors decides, by an eighty-five percent majority of the total voting power, that this reduction would hinder the effective discharge of the functions of the Executive Board or of Executive Directors or would threaten to upset a desirable balance in the Executive Board.~~

(*c*) For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors specified in (*b*) above. ~~If, at the second regular election of Executive Directors and thereafter, the members entitled to appoint Executive Directors under (*b*)(i) above do not include the two members, the holdings of whose currencies by the Fund in the General Resources Account have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of the special drawing right, either one or both of such members, as the case may be, may appoint an Executive Director.~~

(*d*) Elections of ~~elective~~ Executive Directors shall be conducted at intervals of two years in accordance with regulations which shall be adopted by ~~the provisions of Schedule E, supplemented by such regulations as the Fund deems appropriate. For each regular election of Executive Directors,~~ the Board of Governors~~. may issue regulations making changes in the proportion of votes required to elect Executive Directors under the provisions of Schedule E.~~[*]

[…]

(*f*) Executive Directors shall continue in office until their successors are ~~appointed or~~ elected. If the office of an ~~elected~~ Executive Director becomes vacant more than ninety days before the end of his term, another Executive Director shall be elected for the remainder of the term by the members that elected the former Executive Director. A majority of the votes cast shall be required for election. While the office remains vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate.

[…]

(*i*) ~~(i) Each appointed Executive Director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.~~

~~(ii) If the votes allotted to a member that appoints an Executive Director under (*c*) above were cast by an Executive Director together with the votes allotted to other members as a result of the last regular election of Executive Directors, the member may agree with each of the other members that the number of votes allotted to it shall be cast by the appointed Executive Director. A member making such an agreement shall not participate in the election of Executive Directors.~~

(i~~ii~~) Each ~~elected~~ Executive Director shall be entitled to cast the number of votes which counted towards his election.

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[*] The proposed amendment will also provide that such regulations shall include a limit on the total number of votes that more than one member may cast for the same candidate.

(i~~v~~i) When the provisions of Section 5(*b*) of this Article are applicable, the votes which an Executive Director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which an Executive Director is entitled to cast shall be cast as a unit.

(~~v~~iii) When the suspension of the voting rights of a member is terminated under Article XXVI, Section 2(*b*), ~~and the member is not entitled to appoint an Executive Director,~~ the member may agree with all the members that have elected an Executive Director that the number of votes allotted to that member shall be cast by such Executive Director, provided that, if no regular election of Executive Directors has been conducted during the period of the suspension, the Executive Director in whose election the member had participated prior to the suspension, or his successor elected in accordance with paragraph 3(*c*)(i) of Schedule L or with (*f*) above, shall be entitled to cast the number of votes allotted to the member. The member shall be deemed to have participated in the election of the Executive Director entitled to cast the number of votes allotted to the member.

(*j*) The Board of Governors shall adopt regulations under which a member ~~not entitled to appoint an Executive Director under (*b*) above~~ may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration.

[…]

Article XII, Section 8

Section 8. *Communication of views to members*

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a seventy percent majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. The relevant ~~If the~~ member ~~is not entitled to appoint an Executive Director, it~~ shall be entitled to representation in accordance with Section 3(*j*) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members.

[…]

Article XXI
Administration of the General Department and the Special Drawing Rights Department

[…]

(*a*) […]

(ii) For decisions by the Executive Board on matters pertaining exclusively to the Special Drawing Rights Department only Executive Directors ~~appointed or~~ elected by at least one member that is a participant shall be entitled to vote. Each of these Executive Directors shall be entitled to cast the number of votes allotted ~~to the member which is a participant that appointed him or~~ to the members that are participants whose votes counted towards his election. Only the presence of Executive Directors ~~appointed or~~ elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority. ~~For the purposes of this provision, an agreement under Article XII, Section 3(*i*)(ii) by a member that is a participant shall entitle an appointed Executive Director to vote and cast the number of votes allotted to the member.~~

[…]

Article XXIX

Interpretation

(*a*) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision. If the question particularly affects any member~~ not entitled to appoint an Executive Director~~, it shall be entitled to representation in accordance with Article XII, Section 3(*j*).

[…]

Schedule D

Council

1. (*a*) Each member or ~~that appoints an Executive Director and each~~ group of members that has the number of votes allotted to it or them cast by an ~~elected~~ Executive Director shall appoint to the Council one Councillor, who shall be a Governor, Minister in the government of a member, or person of comparable rank, and may appoint not more than seven Associates. The Board of Governors may change, by an eighty-five percent majority of the total voting power, the number of Associates who may be appointed. A Councillor or Associate shall serve until a new appointment is made or until the next regular election of Executive Directors, whichever shall occur sooner.

[…]

5. […]

~~*(e)* For the purposes of (b) and 3(b) above, an agreement under Article XII, Section 3(i)(ii) by a member, or by a member that is a participant, shall entitle a Councillor to vote and cast the number of votes allotted to the member.~~

(*~~f~~e*) When an Executive Director is entitled to cast the number of votes allotted to a member pursuant to Article XII, Section 3(*i*)(iii~~v~~), the Councillor appointed by the group whose members elected such Executive Director shall be entitled to vote and cast the number of votes allotted to such member. The member shall be deemed to have participated in the appointment of the Councillor entitled to vote and cast the number of votes allotted to the member.

[…]

Schedule E

Transitional Provisions with Respect to Executive Directors

1. Upon the entry into force of this Schedule:

(*a*) Each Executive Director who was appointed pursuant to former Article XII, Sections 3(*b*)(i) or 3(*c*), and was in office immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by the member who appointed him; and

(*b*) Each Executive Director who cast the number of votes of a member pursuant to former Article XII, Section 3(*i*)(ii) immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by such a member.

~~**Election of Executive Directors**~~

~~1. The election of the elective Executive Directors shall be by ballot of the Governors eligible to vote.~~

~~2. In balloting for the Executive Directors to be elected, each of the Governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5(a). The fifteen persons receiving the greatest number of votes shall be Executive Directors, provided that no person who received less than four percent of the total number of votes that can be cast (eligible votes) shall be considered elected.~~

~~3. When fifteen persons are not elected in the first ballot, a second ballot shall be held in which there shall vote only (a) those Governors who voted in the first ballot for a person not elected, and (b) those Governors whose votes for a person elected are deemed under 4 below to have raised the~~

~~votes cast for that person above nine percent of the eligible votes. If~~

~~in the second ballot there are more candidates than the number of Executive Directors to be elected, the person who received the lowest number of votes in the first ballot shall be ineligible for election.~~

~~4. In determining whether the votes cast by a Governor are to be deemed~~

~~to have raised the total of any person above nine percent of the eligible votes the nine percent shall be deemed to include, first, the votes of the Governor casting the largest number of votes for such person, then the votes of the Governor casting the next largest number, and so on until nine percent is reached.~~

~~5. Any Governor part of whose votes must be counted in order to raise the total of any person above four percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed nine percent.~~

~~6. If, after the second ballot, fifteen persons have not been elected, further ballots shall be held on the same principles until fifteen persons have been elected, provided that after fourteen persons are elected, the fifteenth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.~~

Schedule L
Suspension of Voting Rights

[…]

1. […]

(*b*) appoint a Governor or Alternate Governor, appoint or participate in the appointment of a Councillor or Alternate Councillor, or ~~appoint,~~ elect~~,~~ or participate in the election of an Executive Director.

[…]

3. […]

(*c*) The Executive Director ~~appointed or~~ elected by the member, or in whose election the member has participated, shall cease to hold office, unless such Executive Director was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended. In the latter case:

[…]

INTERNATIONAL MONETARY FUND

IMF Quota and Governance Reform—Elements of an Agreement

Prepared by the Finance, Legal, and Strategy, Policy, and Review Departments

Approved by Andrew Tweedie, Sean Hagan, and Reza Moghadam

October 31, 2010

I. Introduction

1. ***Background***. After a long and intense debate, the membership is converging on quota and governance reforms essential to the Fund's legitimacy and effectiveness as an impartial guardian of global economic stability. This paper sets out, and seeks to operationalize, a core package for the consideration of the Executive Board and, subsequently, the Board of Governors (summarized in Box 1).

Box 1. Quota and Governance Reform: A Summary

Quotas

- *Increase.* A doubling of quotas, with a corresponding roll-back of the New Arrangements to Borrow (NAB) preserving relative shares, when the quota increase becomes effective.
- *Shift in shares.* Minimum targets in the October 2009 IMFC Communiqué to be exceeded:
    - Over 6 percent shift from over-represented to under-represented members.
    - Over 6 percent shift to dynamic emerging market and developing countries (EMDCs).
- *Protecting the voting power of poorest.* To be done for PRGT-eligible members that fall below the IDA-income threshold through ad hoc increases on an individual country basis.
- *Quota formula.* Review to be completed by January 2013.
- *Next review.* 15th General Quota Review to be brought forward, completed by January 2014.

Governance—Executive Board size and composition

- Commitment of the membership—noted in a Board of Governors resolution—to maintain Executive Board size at 24 and, after the conditions for effectiveness of the quota increases under the 14th General Quota Review are met, to review Board composition every 8 years.
- Two fewer advanced European chairs, based on an agreed metric (occupancy of the Executive Director position pro-rated to the time spent in it)—to be implemented no later than the first regular election after the conditions for effectiveness of the quota increases under the 14th Review are met.
- Move to an all-elected Executive Board.
- Further scope for a second Alternate Executive Director for multi-country constituencies.

2. ***Other reforms***. Beyond the ambitious agenda outlined above, progress is expected in parallel in several other areas. The first concerns open, transparent, and merit-based selection of Fund management and, correspondingly, of other IFIs. This clearly is an important issue but arguably also one most credibly dealt with at the time of the next turnover in leadership (as opposed to by mere reiteration of principle at this point). A second issue relates to ministerial engagement and strategic oversight, for which efforts have been made to strengthen IMFC processes (e.g., more informal and restricted meetings). Further improvements are expected as experience is gained; by contrast, the proposal to transfer some decision making powers to ministers has not commanded consensus. Finally, there is a need to make further progress in diversifying Fund staff.

3. ***Outline and approach***. The first and most important step is for the Executive Board to discuss the proposed package, the specifics of which are laid out in Section II (on quotas, with an explanation of the data in Annex I) and Section III (on governance). If the package does indeed find broad support, it will be necessary to send to the Board of Governors an Executive Board Report on the *Fourteenth General Review of Quotas and Reform of the Executive Board* that includes a proposed resolution for adoption, a draft amendment of the Articles (for the future all-elected Executive Board), and associated legal commentary. In the interest of time, a draft report is attached as Annex II; a detailed redline of the proposed amendment of the Articles of Agreement is attached as Annex III. Section IV discusses the proposed phasing and inter-linkages between the various components of the package. Section V presents a proposed Executive Board decision, adopted by a majority of the votes cast, that is needed to transmit the above-mentioned report to the Board of Governors.

II. QUOTAS

4. ***Background***. The IMFC in its October 2009 Communiqué called on the Executive Board to complete the 14^{th} General Review of Quotas by January 2011. The IMFC noted that quota reform is crucial for increasing the legitimacy and effectiveness of the Fund, and stressed that the IMF is and should remain a quota-based institution. It supported a shift in quota share to dynamic EMDCs of at least 5 percent from over-represented countries to under-represented countries using the current quota formula as a basis to work from, while protecting the voting share of the poorest members. This section presents a proposal to meet these goals. It builds on the extensive work that has taken place within the Committee of the Whole over the past year and also draws on important guidance provided by the IMFC at its most recent meeting in Washington on October 9 and by the G-20 Finance Ministers and Governors on October 23.

5. ***Size of quota increase***. Previous staff papers examined the broad range of issues relevant to the size of the overall quota increase.[1] These included the decline in the size of the Fund relative to global economic and financial indicators since the last general quota increase in 1998, the potential demand for Fund resources under alternative scenarios, and the implications of the recent reforms of the Fund's lending facilities for potential resource needs. There now appears to be broad support for a doubling of quotas, provided that there would be a corresponding roll-back of the NAB, preserving relative shares. This reduction could be finalized in the forthcoming review of the NAB that is scheduled to be completed by November 2011. To maintain the Fund's lending capacity in the interim, it is important that the reduction in the size of the NAB only take place when the conditions for effectiveness of the quota increases under the 14th Review are met and the related payments made.

6. ***Realignment of quota shares***. Committee of the Whole discussions have covered a range of issues, including the size and definition of the targeted shifts, the role of the current formula in allocating quota increases, the scope for improving on the formula within the timeframe for the 14th Review, the use of alternative metrics to distribute part of the increase, and modalities for protecting the poorest members.[2] While Directors' views previously diverged in several areas, there has been broad convergence on key points, including that: the quota increase should be allocated using a combination of selective and ad hoc increases, with no equi-proportional element given the focus on realigning shares;[3] the current quota formula should continue to be used for the 14th Review, pending a review to be completed before the next general quota review (see below); part of the increase should be distributed using an alternative measure of economic weight, given the widespread misgivings about the formula; and the voting share of the poorest should be preserved through ad hoc quota increases to protect the voting share for each eligible country individually.

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[1] See *Fourteenth General Review of Quotas—The Size of the Fund Initial Considerations* (EB/CQuota/10/2, 4/02/10); and *Fourteenth General Review of Quotas—Further Considerations* (EB/CQuota/10/5, 9/03/10).

[2] See *Fourteenth General Review of Quotas—Realigning Quota Shares—Initial Considerations* (EB/CQuota/10/1, 3/5/10); *The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Realigning Quota Shares—Initial Considerations—Committee of the Whole on Review of Quotas Meeting 10/1* (BUFF/10/33, 3/25/10); *Fourteenth General Review of Quotas—Realigning Quota Shares—Further Considerations* (EB/CQuota/10/4, 6/22/10); *The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Realigning Quota Shares—Further Considerations—Committee of the Whole on Review of Quotas Meeting 10/3* (BUFF/10/105, 7/13/10); *Fourteenth General Review of Quotas—Further Considerations* (EB/CQuota/10/5, 09/03/2010);*The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Further Considerations—Committee of the Whole on Review of Quotas Meeting 10/4* (BUFF/10/144, 9/29/10); *Fourteenth General Review of Quotas—Possible Elements of a Compromise* (EB/CQuota/10/6, 10/5/10); and *The Chairman's Concluding Remarks—Fourteenth General Review of Quotas—Possible Elements of a Compromise—Committee of the Whole on Review of Quotas Meeting 10/5* (BUFF/10/147, 10/7/10).

[3] *Equiproportional* quota increases are allocated to all members in proportion to their *existing* quota shares, while a *selective* quota increase is distributed to all members based on *calculated* quota shares, as indicated by the quota formula. *Ad hoc* increases are allocated to a subset of the membership based on *specific criteria*.

7. ***Narrowing options***. Based on this guidance, recent staff papers focused on a narrower range of options. These involved distributing more than half of the increase on a selective basis using the formula and the remainder as ad hoc increases, primarily to those members that are under-represented using the compressed GDP blend variable. This approach was put forward as a possible compromise between those who considered that the quota formula should be the primary distribution mechanism and those who argued that economic weight should play a larger role. Part of the ad hoc increase was used to provide protection for the poorest members, and the staff papers also illustrated simulations where part was used to: (i) avoid any dilution of the increase in share after the selective increase for countries that are under-represented using the formula only; (ii) protect over-represented countries from becoming under-represented, based either on the formula or the higher of the formula and the GDP blend; (iii) allow advanced countries that are under-represented under the GDP blend only to participate but with their increases capped at their post-second round quota share (i.e., their quota share after the 2008 reforms become effective); (iv) allow advanced countries that are under-represented based on both the formula and the GDP blend to participate partially or fully; and (v) set a floor on the maximum decline in any individual member's quota share. The simulations also illustrated how voluntary foregoing could facilitate protection of the poorest and the desired shifts in favor of dynamic EMDCs: setting a maximum for individual quota increases and modest voluntary foregoing by all advanced countries.

8. ***Proposal***. The following combine the above elements with the goal of seeking the broadest possible consensus, recognizing that it requires compromise from all sides and not all reform aspirations can be met:

- A 60 percent selective increase and a 40 percent ad hoc increase.

- Under-represented members based on the GDP blend variable are eligible for ad hoc increases and receive a uniform proportional reduction in the gap between their GDP blend share and post-selective quota share (eligible advanced countries receive half the proportional reduction applying to eligible EMDCs), except that eligible advanced countries that are over-represented under the formula are capped at their post-second round quota share.

- Under-represented countries under the formula receive an ad hoc allocation that ensures that their gains from the selective increase are not diluted.

- Over-represented countries under the formula are protected from falling below the higher of their calculated quota or their GDP blend share.

- A floor to limit the maximum decline in quota share for any individual country to 30 percent; to mitigate the adjustment burden on any individual country, a further limit on the maximum decline in share of 0.85 percentage points has been added.

- Protection of the individual post-second round quota (and thus voting) shares of the poorest members, defined as those countries that are PRGT-eligible and met the IDA income cut-off of US$1,135 in 2008 (or twice that amount for small countries). The countries covered include 49[*] members plus Zimbabwe, which is not currently PRGT-eligible.[4]

- A maximum of 220 percent on individual quota increases.

- Voluntary foregoing by all advanced countries of 1.35 percent (1.37 percent by G-20 advanced countries) from the shares resulting from the above elements.

- A voluntary redistribution of 5 basis points in quota share from the 4 largest European Union members (France, Germany, Italy and the UK) to Spain, which remains significantly under-represented, and without affecting the quota share or ranking of any other member.[**]

9. ***Outcomes***. The results of combining the above elements are summarized in Table 1.[5] The realignment of quota shares exceeds the minimum targets set by the IMFC. In particular, it results in shifts to dynamic EMDCs and from over- to under-represented countries above 6 percent, while the voting share of the poorest members is protected. A major realignment in the ranking of quota shares is achieved to better reflect global realities, with the 10 largest shareholders comprising the US, Japan, China, Germany, France, the UK, Italy, India, Russia, and Brazil (Table 2). In total, 61 members would receive an increase in quota share, of which 53 are EMDCs; in terms of the largest increases, 13 EMDCs would receive nominal

[*] Three countries were inadvertently omitted. The correct number is 52 and is reflected in the final tables in Supplement 2, along with the necessary adjustments (as noted in ** below).

[4] See EB/CQuota/10/6 (10/5/10) and Supplement 1. Zimbabwe was removed from the PRGT-eligibility list by the Board in connection with its arrears to the Trust. However, its estimated per capita income was below US$1,135 in 2008 and it lacked market access. Thus, it is likely that Zimbabwe would become PRGT-eligible once it has cleared its arrears to the PRGT Trust and the associated remedial measures are lifted. Zimbabwe has no arrears to the General Resources Account (GRA) and would be eligible to consent and pay for its quota increase. On the other hand, and consistent with the practice under the 9th and 11th General Reviews, it is proposed that members with protracted arrears to the GRA would not be able to consent to or pay for their quota increase until they had cleared their outstanding overdue obligations to the GRA.

[**] The Executive Board agreed on additional adjustments of: (i) 0.09 basis points in quota share from Singapore to Tonga to preserve its post-second round quota share; (ii) 1.56 basis points in quota share from the United States to Saudi Arabia to ameliorate its very large decline in share; and (iii) a 1.20 basis point shift from advanced G-20 countries to cover a portion of the cost of protecting the poorest members. See Supplement 2 for the final tables reflecting the Executive Board's agreement.

[5] Results by member for quota and voting shares are presented in Table A1. At their request, the quotas of France and the United Kingdom have been equalized; without such equalization, their quota shares would be 3.97and 4.49 percent, respectively. The redistribution of quota shares between these two countries does not affect the proposed quotas or quota shares of other members.

quota increases greater than 150 percent, and 8 of the 10 countries with the largest quota increases would be EMDCs (Tables 3 and 4). After taking account of the protection for the poorest members, 99[*] EMDCs would either maintain or receive an increase in their quota shares. Moreover, the reform would result in a further net shift of quota shares to EMDCs as a group of 2.8 percent. There would also be a further shift in voting shares of 2.6 percent; when combined with the 2008 quota and voice reform, the aggregate voting share of EMDCs would rise by 5.3 percent (Table 4).[6]

10. ***Future steps***. The process of adjusting quota shares to reflect the growing weight of EMDCs, including the poorest, is a dynamic one. Given the concerns about the formula expressed by all Directors, it is proposed that a comprehensive review of the formula be completed by January 2013 to better reflect economic weights, in light of the Fund's mandate and the role of quotas. Further, it is proposed to bring forward the timetable for completion of the 15th General Review of Quotas to January 2014.[**]

III. Governance

11. ***Background***. The Executive Board is not merely a decision-making organ of the Fund but also a crucial mechanism to bring the oversight, voice and interests of members to the work of management and staff. Last August, differences on the appropriate *composition* of the Board, more so than on its *size*, resulted in the failure of the proposed Board of Governors resolution on the 2010 regular election of Executive Directors. That resolution proposed to maintain the Board at its current size of 24 Executive Directors (5 appointed and 19 elected) and, thus, to maintain the number of elected Directors above the "default" size of 15 set out in the Fund's Articles. In light of the emerging consensus on the reform package, including on enhanced EMDC representation, a new proposed resolution on the rules for the 2010 regular election of Executive Directors that maintains the Executive Board at 24 chairs has been sent to the Board of Governors.

12. ***Size***. The proposed Board of Governors resolution takes note of a commitment of the membership to maintain the size of the Executive Board at 24 and to review its composition every 8 years (after the conditions for the effectiveness of the quota increases under the 14th General Review of Quotas are met). Such a resolution would constitute a public commitment to balance the need for change with the need for predictability. As a legal matter, however, it would not obviate the need for the Board of Governors to adopt a

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[*] Reflecting the corrected protection applying to the poorest members (see page 5, reference *), as well as the Executive Board agreement on additional adjustments (page 5, reference **), the outcome is that 102 EMDCs would either maintain or receive an increase in their quota shares. See Supplement 2.

[6] In the attached Tables, pre-Singapore refers to data prior to the two steps of the 2008 reform.

[**] The Executive Board's agreed formulation on this matter can be found in paragraphs 13-14 of the Report of the Executive Board to the Board of Governors (Annex II).

resolution, at the time of each regular election of the Executive Directors, to increase the size of the Executive Board from 20 to 24.

13. ***Composition***. It is well accepted that representation at the Executive Board must continue to be based on the principle of voluntary constituency formation. Facilitating a re-composition of the Board, therefore, requires the pro-active participation of members to consolidate constituencies and otherwise develop mechanisms for sharing the Executive Director's chair. To facilitate this, the proposed Board of Governors resolution notes a commitment to reduce the number of Executive Directors representing advanced European countries by 2 in favor of EMDCs. This is to be measured by the time pro-rated in the Executive Director chair (i.e., rotation of an EMDC into an advanced European Executive Director chair for one period out of two counts as ½).

14. ***Second Alternate Executive Director***. The possibility of a second Alternate Executive Director (AED) for multi-country constituencies, introduced in the 2008 quota and voice reform that is yet to enter into force, can enhance representation as well as options for forming constituencies. The 2008 reform allows for a second AED to be appointed for constituencies with at least 19 members; this threshold may be adjusted by a majority of votes cast by the Board of Governors. It is proposed to lower the threshold to multi-country constituencies with 7 or more members—this being close to the notional "average-sized constituency" (187 members spread over 24 constituencies). It remains open for the Board of Governors to revisit and adjust this figure in light of future developments. Further, it is envisaged that a second AED would be provided for in a broadly *budget neutral* manner by re-designating an existing "Senior Advisor" as an AED—the exception being the large sub-Saharan African constituencies, for whom it was made clear in the context of the 2008 discussions that they would be granted an additional resource.[*] This proposal would become effective at the first regular election after the entry into force of the 2008 Proposed Amendment on Voice and Representation.

15. ***All-elected Board***. Moving to an all-elected Board enhances options for forming constituencies and levels the playing field between appointed and elected Directors. It is therefore proposed that the Articles be amended to eliminate the category of appointed Executive Directors and the associated election rules set forth in Schedule E of the Articles (including minimum and maximum limits for the election of Executive Directors that are based on an election of 15 Executive Directors). The proposed amendment also specifies that the Board of Governors would need to adopt regulations to govern the conduct of the elections to the all-elected Executive Board. These regulations would be designed to avoid excessive concentration of voting power in multi-country constituencies, while allowing for adequate flexibility to enable members to form constituencies on a voluntary basis. A proposed amendment of the Articles (with a detailed commentary) that reflects this approach

[*] The Executive Board agreed to address this issue in the context of the regular budget discussion.

is set out in the draft Executive Board Report on the *Fourteenth General Review of Quotas and Reform of the Executive Board* (Annex II).

IV. Phasing and Structure of the Resolution

16. ***Phasing and inter-linkages***. The quota and governance reforms would be placed in a single Board of Governors resolution, reflecting a political understanding that they are all part of a single package of reforms. As a unitary resolution, it would be subject to an 85 percent majority, this being the highest applicable majority (for quotas). With the adoption of the resolution, the implementation of important features of the package would be formally interlinked (Figure 1):

- *2008 quota and voice reform*. The 2008 reform, including its increase in basic votes, is an important foundation upon which the current package is built, providing the basis for the current quota discussion and, as noted above, for a second AED for multi-country constituencies. It is imperative, therefore, that members complete the necessary domestic procedures to ratify the reform—to date, 94 countries representing 82.55 percent of the total voting power have done so (113 countries representing 85 percent of the voting power are required).

- *14th General Review of Quotas*. It is proposed that best efforts be made for the quota increase and shift in shares to enter into force by the 2012 Annual Meetings. It is proposed that (as was the case, for example, with the 8th and 9th General Reviews) increases in quotas provided for under the 14th Review will not become effective until members having at least 70 percent of the total quotas on November ~~[~~5~~]~~, 2010 have consented.[7] In addition, it would require that the proposed amendments of the Fund's Articles on Voice and Participation (that formed part of the 2008 reform) and on the reform of the Executive Board have entered into force. It is expected that a corresponding adjustment to the NAB would be agreed, to become effective when these conditions are met and related quotas paid.

- *Executive Board size and composition*. The proposed Board of Governors resolution would note the commitment of the Fund's membership to maintain the Executive Board size at 24 and to review its composition every 8 years after the conditions for effectiveness of the quota increases under the 14th General Review of Quotas are met. The reduction by two of the number of Executive Directors representing advanced European countries (on the metric noted in ¶13 above) would be implemented no later than the first regular election after the conditions for effectiveness of the quota increases under the 14th General Review are met.

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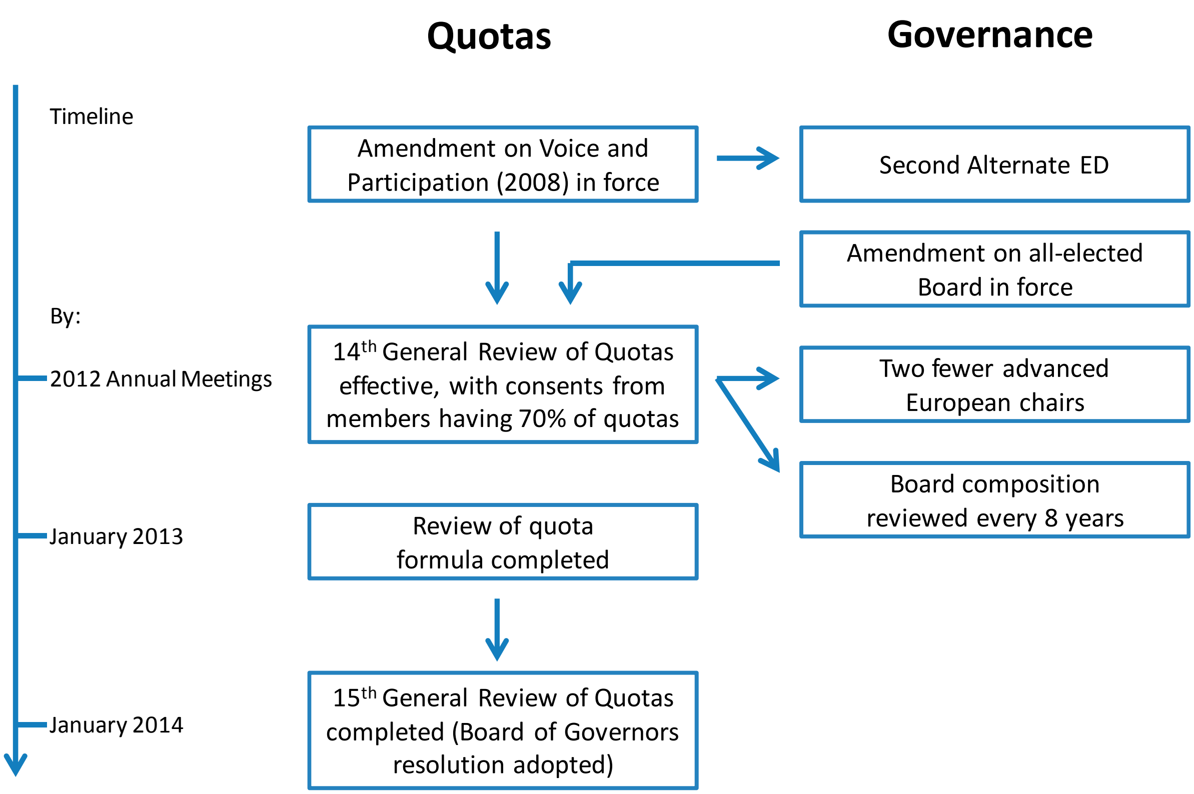
[7] In the 9th review, the minimum participation threshold, although initially 85 percent, dropped to 70 percent after a defined period.

- *Second AED*. It will become possible for a second AED to be appointed in constituencies with 7 or more members after the proposed amendment of the Fund's Articles on Voice and Participation (the 2008 reform) has entered into force, and the proposed resolution has been adopted. The actual appointments would be made at the time of the first regular election thereafter.

- *All-elected Board*. The amendment of the Articles for an all-elected Board would enter into force when the Fund certifies in a formal communication to all members that three-fifths of the members having 85 percent of the total voting power have accepted it.

Figure 1. Quota and Governance Reform:
A Simple Illustration of the Phasing and Interlinkages

(Arrow from X →Y indicates dependence of Y on completion of X)



V. PROPOSED DECISION

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

1. The Executive Board: (a) adopts the report entitled: "Fourteenth General Review of Quotas and Reform of the Executive Board—Report of the Executive Board to the Board of Governors" that is set forth in Annex II of SM/10/293 (10/31/10), (the "Report") and (b) recommends the adoption by the Board of Governors of the resolution set forth in the Appendix to the Report (the "Resolution").

2. The Executive Board authorizes and directs the Secretary to send to each member of the Fund the proposal of the Executive Board set forth in the Report, with a request for a vote by each Governor on the Resolution.

3. The Board of Governors is requested, pursuant to Section 13 of the By-Laws, to vote without meeting on the Resolution. To be valid, votes must be received at the seat of the Fund before 6:00 p.m., Washington time, on December 15, 2010. Votes received after that time will not be counted.

4. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.

5. The effective date of the Resolution shall be the last day allowed for voting.

6. The Secretary is authorized to take such action as he shall deem necessary or appropriate in order to carry out the purposes of this decision.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table 1. Illustration of Proposed Quota and Voting Shares 1/
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre-Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Advanced economies	58.2	60.0	61.6	60.5	57.7	60.6	57.9	55.3
Major advanced economies (G7)	42.9	48.0	46.0	45.3	43.4	45.1	43.0	41.2
United States	17.0	21.6	17.4	17.7	17.4	17.0	16.7	16.5
Other	25.9	26.4	28.6	27.7	26.0	28.1	26.3	24.7
Other advanced economies	15.3	11.9	15.6	15.1	14.3	15.4	14.9	14.1
Emerging Market and Developing Countries	41.8	40.0	38.4	39.5	42.3	39.4	42.1	44.7
Developing countries	34.1	33.2	30.9	32.4	35.1	31.7	34.5	37.0
Africa	3.1	2.9	5.5	4.9	4.4	6.0	6.2	5.6
Asia 5/	17.7	17.3	10.3	12.6	16.1	10.4	12.8	16.1
Middle East, Malta & Turkey	6.2	5.2	7.6	7.2	6.7	7.6	7.3	6.8
Western Hemisphere	7.0	8.0	7.5	7.7	7.9	7.7	8.2	8.4
Transition economies	7.7	6.8	7.6	7.1	7.2	7.7	7.6	7.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:								
EU 27	31.3	27.8	32.9	31.9	30.2	32.5	30.9	29.4
LICs (IDA thresholds) 6/	1.8	1.7	3.5	3.2	3.2	4.0	4.5	4.5
Shifts from Post Second Round								
Underrepresented countries (shift in p.p.)					6.2			5.8
Underrepresented EMDCs (shift in p.p.)					5.7			5.4
Dynamic EMDCs (shift in p.p.) 7/					6.0			5.7
EMDCs (shift in p.p.)					2.8			2.6
Uniform reduction factor 8/					53.9			

Source: Finance Department.

1/ See Annex I for a description of the allocation mechanism.
2/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.
3/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
4/ Basic votes are calculated using the agreed percentage of total votes, 5.502 percent of total votes (provided there are no fractional votes) as in the Proposed Amendment to Enhance Voice and Participation, which has not yet entered into effect.
5/ Including Korea and Singapore.
6/ Eligibility is limited to PRGT-eligible countries with annual per capital income below the prevailing operational IDA cut-off in 2008 (US$1,135) or below twice IDA's cut-off for countries meeting the definition of a "small country" under the PRGT eligibility criteria. Zimbabwe is included.
7/ 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.
8/ Uniform proportional reduction in the gap between GDP blend (see footnote 2) and post-selective quota share.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL.**
SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table 2. Quota Shares of 20 Largest Members
(In percent)

Rank	Pre-Singapore		Post Second Round 1/		Proposal 2/	
1	United States	17.38	United States	17.67	United States	17.43
2	Japan	6.23	Japan	6.56	Japan	6.47
3	Germany	6.09	Germany	6.11	China 3/	6.39
4	France	5.02	France	4.50	Germany	5.59
5	United Kingdom	5.02	United Kingdom	4.50	France	4.23
6	Italy	3.30	China 3/	4.00	United Kingdom	4.23
7	Saudi Arabia	3.27	Italy	3.31	Italy	3.16
8	Canada	2.98	Saudi Arabia	2.93	India	2.75
9	China 3/	2.98	Canada	2.67	Russian Federation	2.71
10	Russian Federation	2.78	Russian Federation	2.49	Brazil	2.32
11	Netherlands	2.42	India	2.44	Canada	2.31
12	Belgium	2.15	Netherlands	2.17	Saudi Arabia	2.08
13	India	1.95	Belgium	1.93	Spain	2.00
14	Switzerland	1.62	Brazil	1.78	Mexico	1.87
15	Australia	1.51	Spain	1.69	Netherlands	1.83
16	Spain	1.43	Mexico	1.52	Korea, Republic of	1.80
17	Brazil	1.42	Switzerland	1.45	Australia	1.38
18	Venezuela, R. B. de	1.24	Korea, Republic of	1.41	Belgium	1.34
19	Mexico	1.21	Australia	1.36	Switzerland	1.21
20	Sweden	1.12	Venezuela, R. B. de	1.12	Turkey	0.98

Source: Finance Department

1/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
2/ See Annex I for a description of the allocation mechanism.
3/ Includes China, P.R., Hong Kong SAR, and Macao SAR.

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL.**
SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table 3. Largest Increases and Decreases in Quota Shares
(In percentage points)

	Difference between Proposed and Post Second Round Quota Shares 1/ 2/	
	Largest Increases	
1	China 3/	2.40
2	Brazil	0.53
3	Korea, Republic of	0.39
4	Turkey	0.37
5	Mexico	0.35
6	Spain	0.31
7	India	0.31
8	Singapore	0.23
9	Russian Federation	0.21
10	Ireland	0.20
	Largest Decreases	
1	Saudi Arabia	-0.85
2	Belgium	-0.59
3	Germany	-0.52
4	Canada	-0.36
5	Venezuela, R. B. de	-0.33
6	Netherlands	-0.33
7	United Kingdom	-0.28
8	France	-0.28
9	United States	-0.24
10	Switzerland	-0.24

Source: Finance Department

1/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.

2/ See Annex I for a description of the allocation mechanism

3/ Includes China, P.R., Hong Kong SAR, and Macao SAR.

	*THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table 4. Summary of Voting and Quota Share Shifts

	From Pre-Singapore	From Post Second Round
Shift of voting shares (ppts)		
to under-represented countries	8.2	5.8
to dynamic EMDCs	8.8	5.7
to EMDCs	5.3	2.6
to non-oil EMDCs 1/	7.6	3.9
Shift of quota shares (ppts)		
to under-represented countries	8.5	6.2
to dynamic EMDCs	9.0	6.0
to EMDCs	3.9	2.8
to non-oil EMDCs 1/	6.4	4.2
Number of countries that increase quota share	54	61
Advanced Countries	10	8
EMDCs	44	53
Number of countries that increase or maintain quota share	54	107
Advanced Countries	10	8
EMDCs	44	99
Number of countries with nominal quota increases greater than 150%	40	16
Advanced Countries	6	3
EMDCs	34	13
Adjustment coefficient 2/	65.8	55.8

1/ Oil-exporting EMDCs are those that WEO classifies in the functional group “fuel exporters”, consisting of 27 countries.
2/ The adjustment coefficient measures the extent to which deviations between actual and calculated quota shares are reduced by the quota adjustment. The pre-Singapore calculations exclude Kosovo and Tuvalu.

Annex I. Illustration of Proposed Quota and Voting Shares—Technical Aspects

Data set

Simulation results are based on the quota data set which covers the period through 2008 as in **EB/CQuota/10/3**.

Size of the overall quota increase

The overall quota increase relative to post second round quotas is 100 percent—distributed as a 60 percent selective followed by a 40 percent ad hoc increase. The selective increase is distributed to all members in proportion to their calculated quota share, as presented in EB/CQuota/10/3. The ad hoc increase is distributed to eligible members as described below.

Ad hoc increase

The ad hoc increase is mainly distributed to countries that are under-represented with respect to the GDP blend variable, i.e., those members whose post selective quota share[1] is smaller than their share in the GDP blend variable.[2] The allocation of the ad hoc increase is primarily based on a uniform reduction in out-of-lineness, i.e., the difference between a country's GDP blend variable share and its post selective quota share is reduced proportionately by a uniform reduction factor (URF).[3] Taking the size of the ad hoc increase and all other elements of the allocation mechanism as described below as given, a unique URF is determined.

- Eligible EMDCs receive a uniform reduction in out-of-lineness with respect to the GDP blend variable.
- Eligible advanced countries that are under-represented with respect to the GDP blend variable receive 50 percent of the uniform reduction in out-of-lineness with respect to the GDP blend variable that EMDCs receive.
- Advanced countries that are under-represented with respect to the GDP blend variable but not the quota formula are capped at their post second round quota share.

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[1] A country's post selective quota share is the simulated quota share that would result if only the selective increases were implemented.

[2] Consistent with the quota formula, the GDP blend variable is a weighted average of GDP at market prices (60 percent) and PPP GDP (40 percent), compressed by a factor of 0.95.

[3] The uniform reduction in out-of-lineness was also used in the 2008 reform for allocating ad hoc increases.

Protection of the poorest members and other protection mechanisms

- The poorest members individually maintain at least their post second round quota share. They are defined as those PRGT-eligible countries with annual per capita income below the prevailing operational IDA cut-off in 2008 (US$1,135) or below twice IDA's cut-off for countries meeting the definition of a "small country" under the PRGT eligibility criteria. Zimbabwe is also included in the list of the poorest members.
- Advanced countries that are under-represented with respect to the quota formula but not the GDP blend variable maintain their gains from the selective allocation, i.e., they receive their post selective quota share.
- Countries that are over-represented under the formula are protected from falling below their calculated quota or GDP blend share, whichever is greater.
- A country's quota share cannot fall below 70 percent of its post second round quota share or decline by more than 0.85 percentage points.

Maximum increase and voluntary reduction in quota share

- The maximum nominal percentage increase for an individual country is set at 220 percent.
- All advanced countries receive a percentage reduction in their final quota share—the reduction is 1.37 percent for advanced G20 countries and 1.35 percent for other advanced countries.[4]

Final Realignments

The final realignments do not change the quota shares of any country except the ones involved.

- A transfer of 5 basis points in quota share to Spain is made in equal parts by France, Germany, Italy, and the United Kingdom.*

The quota shares of France and the United Kingdom are equalized.

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[4] Advanced countries do not benefit from the resulting increase in available resources via a higher URF since their uniform reduction in out-of-lineness is maintained at the level that obtains without the voluntary foregoing.

*A transfer of 0.09 basis points in quota share from Singapore to Tonga; a transfer of 1.56 basis points in quota share from the United States to Saudi Arabia; and a 1.20 basis point shift from advanced G-20 countries to cover a portion of the cost of protecting the poorest members were agreed at the time of the Board discussion.

[*THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.]()

Table A1. Illustration of Proposed Quota and Voting Shares--By Member 1/
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
United States	16.987	21.645	17.380	17.670	17.428	17.023	16.727	16.498
Japan	6.493	7.282	6.228	6.556	6.466	6.108	6.225	6.140
Germany	5.678	5.201	6.086	6.110	5.588	5.968	5.803	5.310
France	3.789	4.036	5.024	4.505	4.228	4.929	4.286	4.025
United Kingdom	4.663	4.151	5.024	4.505	4.228	4.929	4.286	4.025
China 5/	7.917	8.128	2.980	3.996	6.394	2.928	3.806	6.071
Italy	2.992	3.379	3.301	3.306	3.162	3.242	3.154	3.017
Saudi Arabia	1.337	0.842	3.268	2.930	2.080	3.210	2.799	1.995
Canada	2.303	2.345	2.980	2.672	2.313	2.928	2.554	2.215
Russian Federation	2.938	2.746	2.782	2.494	2.706	2.734	2.386	2.587
India	2.403	3.027	1.945	2.442	2.751	1.916	2.337	2.629
Netherlands	1.857	1.308	2.415	2.166	1.832	2.375	2.076	1.761
Belgium	1.324	0.784	2.155	1.932	1.345	2.120	1.855	1.300
Brazil	2.153	2.654	1.420	1.783	2.316	1.402	1.714	2.218
Spain	2.236	2.422	1.426	1.688	2.000	1.408	1.624	1.919
Mexico	1.793	2.080	1.210	1.521	1.869	1.196	1.467	1.796
Switzerland	1.227	0.724	1.618	1.451	1.210	1.595	1.400	1.173
Korea, Republic of	2.108	1.909	0.764	1.412	1.800	0.760	1.364	1.731
Australia	1.396	1.537	1.514	1.358	1.379	1.494	1.312	1.332
Venezuela, R. B. de	0.484	0.518	1.244	1.115	0.781	1.229	1.084	0.767
Sweden	0.942	0.743	1.121	1.005	0.929	1.108	0.979	0.907
Argentina	0.597	0.669	0.990	0.888	0.669	0.981	0.869	0.661
Austria	0.836	0.650	0.876	0.887	0.825	0.869	0.867	0.809
Indonesia	0.902	1.053	0.973	0.872	0.975	0.964	0.854	0.951
Denmark	0.731	0.508	0.769	0.793	0.721	0.764	0.779	0.711
Norway	0.812	0.631	0.782	0.790	0.788	0.777	0.776	0.774
South Africa	0.578	0.640	0.874	0.784	0.640	0.867	0.770	0.634
Malaysia	0.792	0.471	0.695	0.744	0.762	0.692	0.733	0.750
Nigeria	0.477	0.410	0.820	0.735	0.515	0.814	0.724	0.516
Poland	0.949	0.911	0.640	0.708	0.859	0.638	0.699	0.841
Iran, Islamic Republic of	0.658	0.842	0.700	0.628	0.748	0.697	0.623	0.736
Turkey	1.148	1.296	0.451	0.611	0.977	0.453	0.607	0.953
Thailand	0.789	0.636	0.506	0.604	0.674	0.507	0.600	0.666
Singapore	1.195	0.356	0.404	0.591	0.817	0.406	0.588	0.802
Kuwait	0.315	0.242	0.646	0.579	0.406	0.644	0.577	0.413

*THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Ukraine	0.422	0.393	0.642	0.576	0.422	0.640	0.573	0.428
Finland	0.513	0.421	0.591	0.530	0.506	0.590	0.530	0.507
Ireland	1.077	0.428	0.392	0.528	0.724	0.395	0.528	0.713
Algeria	0.411	0.323	0.587	0.526	0.411	0.586	0.527	0.418
Iraq	0.267	0.162	0.556	0.499	0.349	0.556	0.501	0.359
Libya	0.252	0.150	0.526	0.471	0.330	0.526	0.475	0.341
Greece	0.572	0.586	0.385	0.462	0.509	0.388	0.466	0.511
Israel	0.408	0.343	0.434	0.445	0.403	0.437	0.450	0.410
Hungary	0.407	0.300	0.486	0.436	0.407	0.487	0.441	0.414
Pakistan	0.342	0.449	0.484	0.434	0.426	0.485	0.439	0.432
Romania	0.380	0.369	0.482	0.432	0.380	0.483	0.438	0.388
Portugal	0.448	0.426	0.406	0.432	0.432	0.409	0.438	0.438
Philippines	0.430	0.379	0.412	0.428	0.428	0.414	0.433	0.434
Czech Republic	0.519	0.387	0.383	0.420	0.457	0.387	0.427	0.462
Egypt	0.404	0.452	0.442	0.396	0.427	0.444	0.404	0.433
New Zealand	0.262	0.232	0.419	0.375	0.263	0.421	0.384	0.278
Chile	0.377	0.356	0.401	0.359	0.366	0.403	0.369	0.375
Colombia	0.381	0.500	0.362	0.325	0.429	0.366	0.336	0.435
United Arab Emirates	0.767	0.381	0.286	0.316	0.485	0.292	0.328	0.488
Bulgaria	0.164	0.116	0.300	0.269	0.188	0.305	0.283	0.207
Peru	0.270	0.290	0.299	0.268	0.280	0.304	0.282	0.294
Morocco	0.185	0.188	0.275	0.247	0.188	0.281	0.263	0.207
Bangladesh	0.169	0.238	0.250	0.224	0.224	0.256	0.241	0.241
Congo, Dem. Rep. of	0.035	0.029	0.249	0.224	0.224	0.256	0.241	0.241
Zambia	0.039	0.030	0.229	0.205	0.205	0.235	0.223	0.223
Serbia	0.129	0.107	0.219	0.196	0.137	0.226	0.215	0.159
Vietnam	0.303	0.248	0.154	0.193	0.242	0.162	0.212	0.258
Kazakhstan	0.328	0.250	0.171	0.179	0.243	0.179	0.199	0.259
Slovak Republic	0.261	0.174	0.167	0.179	0.210	0.175	0.199	0.228
Luxembourg	0.503	0.093	0.131	0.176	0.277	0.139	0.195	0.291
Sri Lanka	0.089	0.107	0.193	0.173	0.121	0.201	0.193	0.144
Belarus	0.143	0.139	0.181	0.162	0.143	0.188	0.183	0.164
Ghana	0.050	0.045	0.173	0.155	0.155	0.180	0.176	0.176
Croatia	0.150	0.133	0.171	0.153	0.150	0.179	0.174	0.172
Zimbabwe	0.016	0.011	0.165	0.148	0.148	0.173	0.170	0.170

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Ecuador	0.147	0.135	0.141	0.146	0.146	0.150	0.167	0.168
Syrian Arab Republic	0.208	0.293	0.137	0.145	0.233	0.146	0.167	0.249
Trinidad and Tobago	0.064	0.049	0.157	0.141	0.099	0.165	0.162	0.123
Côte d'Ivoire	0.056	0.054	0.152	0.136	0.136	0.160	0.158	0.158
Sudan	0.089	0.117	0.147	0.132	0.132	0.156	0.154	0.154
Uruguay	0.077	0.062	0.143	0.129	0.090	0.152	0.151	0.114
Qatar	0.194	0.156	0.123	0.127	0.154	0.132	0.149	0.175
Tunisia	0.114	0.103	0.134	0.120	0.114	0.143	0.143	0.137
Angola	0.214	0.142	0.134	0.120	0.155	0.143	0.143	0.176
Uzbekistan	0.071	0.078	0.129	0.116	0.116	0.138	0.139	0.139
Slovenia	0.136	0.102	0.108	0.115	0.123	0.118	0.138	0.146
Jamaica	0.047	0.036	0.128	0.115	0.080	0.137	0.138	0.105
Kenya	0.076	0.078	0.127	0.114	0.114	0.136	0.137	0.137
Lebanon	0.168	0.068	0.095	0.112	0.133	0.104	0.135	0.155
Myanmar	0.057	0.072	0.121	0.108	0.108	0.130	0.132	0.132
Yemen, Republic of	0.100	0.072	0.114	0.102	0.102	0.123	0.126	0.126
Oman	0.139	0.106	0.091	0.099	0.114	0.100	0.123	0.137
Dominican Republic	0.097	0.105	0.102	0.092	0.100	0.112	0.116	0.124
Brunei Darussalam	0.042	0.027	0.101	0.090	0.063	0.110	0.115	0.089
Guatemala	0.086	0.092	0.098	0.088	0.090	0.108	0.113	0.114
Panama	0.079	0.053	0.097	0.087	0.079	0.106	0.111	0.104
Tanzania	0.046	0.058	0.093	0.083	0.083	0.103	0.108	0.108
Costa Rica	0.077	0.069	0.077	0.078	0.077	0.087	0.104	0.103
Cameroon	0.058	0.058	0.087	0.078	0.058	0.096	0.103	0.084
Lithuania	0.111	0.095	0.067	0.077	0.093	0.077	0.102	0.117
Uganda	0.055	0.044	0.084	0.076	0.076	0.094	0.101	0.101
Bahrain	0.098	0.045	0.063	0.074	0.083	0.073	0.099	0.108
Bolivia	0.047	0.050	0.080	0.072	0.050	0.090	0.097	0.077
El Salvador	0.060	0.059	0.080	0.072	0.060	0.090	0.097	0.086
Jordan	0.073	0.047	0.080	0.072	0.072	0.090	0.097	0.097
Bosnia and Herzegovina	0.056	0.042	0.079	0.071	0.056	0.089	0.096	0.082
Afghanistan, Islamic Republic of	0.041	0.029	0.076	0.068	0.068	0.086	0.094	0.094
Senegal	0.032	0.033	0.076	0.068	0.068	0.086	0.094	0.094
Azerbaijan	0.086	0.089	0.075	0.067	0.082	0.085	0.093	0.107
Cyprus	0.065	0.046	0.065	0.066	0.064	0.075	0.092	0.090

*THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Gabon	0.040	0.033	0.072	0.065	0.045	0.082	0.091	0.072
Georgia	0.030	0.030	0.070	0.063	0.044	0.080	0.089	0.071
Latvia	0.086	0.066	0.059	0.060	0.070	0.070	0.086	0.095
Namibia	0.023	0.021	0.064	0.057	0.040	0.074	0.084	0.067
Ethiopia	0.054	0.070	0.063	0.056	0.063	0.073	0.082	0.089
Papua New Guinea	0.030	0.020	0.062	0.055	0.055	0.072	0.082	0.082
Bahamas, The	0.022	0.018	0.061	0.055	0.038	0.071	0.081	0.066
Nicaragua	0.026	0.021	0.061	0.055	0.055	0.071	0.081	0.081
Honduras	0.052	0.041	0.061	0.054	0.052	0.071	0.081	0.079
Liberia	0.013	0.002	0.060	0.054	0.054	0.071	0.081	0.081
Moldova	0.021	0.015	0.058	0.052	0.036	0.068	0.078	0.064
Madagascar	0.026	0.025	0.057	0.051	0.051	0.067	0.078	0.078
Iceland	0.100	0.034	0.055	0.049	0.067	0.065	0.076	0.093
Mozambique	0.031	0.025	0.053	0.048	0.048	0.063	0.074	0.074
Guinea	0.014	0.013	0.050	0.045	0.045	0.060	0.072	0.072
Sierra Leone	0.006	0.006	0.049	0.044	0.044	0.059	0.071	0.071
Malta	0.035	0.018	0.048	0.043	0.035	0.058	0.070	0.063
Mauritius	0.027	0.022	0.048	0.043	0.030	0.058	0.070	0.058
Paraguay	0.043	0.039	0.047	0.042	0.042	0.057	0.069	0.069
Turkmenistan	0.062	0.051	0.035	0.041	0.050	0.046	0.068	0.077
Estonia	0.071	0.049	0.031	0.039	0.051	0.041	0.067	0.078
Mali	0.032	0.022	0.044	0.039	0.039	0.054	0.066	0.066
Suriname	0.010	0.006	0.043	0.039	0.027	0.054	0.066	0.055
Armenia	0.025	0.026	0.043	0.039	0.027	0.054	0.066	0.055
Guyana	0.007	0.004	0.043	0.038	0.027	0.053	0.065	0.055
Kyrgyz Republic	0.017	0.014	0.042	0.037	0.037	0.052	0.065	0.065
Botswana	0.049	0.036	0.029	0.037	0.041	0.040	0.064	0.068
Cambodia	0.034	0.033	0.041	0.037	0.037	0.052	0.064	0.064
Tajikistan	0.019	0.015	0.041	0.036	0.036	0.051	0.064	0.064
Congo, Republic of	0.034	0.024	0.040	0.035	0.034	0.050	0.063	0.062
Haiti	0.016	0.018	0.038	0.034	0.034	0.049	0.062	0.062
Somalia	0.002	0.002	0.038	0.034	0.034	0.049	0.062	0.062
Rwanda	0.011	0.013	0.037	0.034	0.034	0.048	0.061	0.061
Burundi	0.003	0.004	0.036	0.032	0.032	0.047	0.060	0.060
Togo	0.010	0.008	0.034	0.031	0.031	0.045	0.059	0.059

***THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.**

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Continued)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre- Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Nepal	0.032	0.035	0.033	0.030	0.033	0.044	0.058	0.061
Fiji	0.012	0.008	0.033	0.029	0.021	0.044	0.057	0.049
Malawi	0.029	0.013	0.032	0.029	0.029	0.043	0.057	0.057
Macedonia, FYR	0.030	0.025	0.032	0.029	0.029	0.043	0.057	0.057
Barbados	0.013	0.009	0.032	0.028	0.020	0.042	0.056	0.048
Chad	0.032	0.024	0.026	0.028	0.029	0.037	0.056	0.057
Niger	0.013	0.014	0.031	0.028	0.028	0.042	0.055	0.055
Mauritania	0.011	0.009	0.030	0.027	0.027	0.041	0.055	0.055
Benin	0.023	0.018	0.029	0.026	0.026	0.040	0.054	0.054
Burkina Faso	0.019	0.024	0.028	0.025	0.025	0.039	0.053	0.053
Albania	0.031	0.031	0.023	0.025	0.029	0.034	0.053	0.057
Kosovo	0.016	0.015	--	0.025	0.017	--	0.053	0.046
Central African Republic	0.006	0.005	0.026	0.023	0.023	0.037	0.051	0.051
Lao People's Dem. Republic	0.014	0.016	0.025	0.022	0.022	0.036	0.050	0.050
Equatorial Guinea	0.052	0.030	0.015	0.022	0.033	0.026	0.050	0.061
Mongolia	0.015	0.013	0.024	0.021	0.015	0.035	0.050	0.044
Swaziland	0.016	0.009	0.024	0.021	0.016	0.035	0.050	0.045
Lesotho	0.010	0.005	0.016	0.015	0.015	0.027	0.043	0.043
Gambia, The	0.003	0.003	0.015	0.013	0.013	0.026	0.042	0.042
Montenegro	0.015	0.011	0.013	0.012	0.013	0.024	0.040	0.041
San Marino	0.012	0.005	0.008	0.009	0.010	0.019	0.038	0.039
Belize	0.006	0.004	0.009	0.008	0.006	0.020	0.037	0.035
Eritrea	0.006	0.005	0.007	0.008	0.008	0.019	0.037	0.037
Vanuatu	0.002	0.002	0.008	0.007	0.005	0.019	0.036	0.034
Djibouti	0.004	0.003	0.007	0.007	0.007	0.019	0.036	0.036
St. Lucia	0.004	0.003	0.007	0.006	0.004	0.018	0.035	0.034
Guinea-Bissau	0.002	0.001	0.007	0.006	0.006	0.018	0.035	0.035
Antigua and Barbuda	0.004	0.003	0.006	0.006	0.004	0.018	0.035	0.033
Grenada	0.003	0.002	0.005	0.005	0.003	0.017	0.034	0.033
Samoa	0.003	0.002	0.005	0.005	0.003	0.017	0.034	0.033
Cape Verde	0.005	0.004	0.004	0.005	0.005	0.016	0.034	0.034
Seychelles	0.005	0.003	0.004	0.005	0.005	0.015	0.034	0.034
Timor-Leste	0.007	0.003	0.004	0.005	0.005	0.015	0.034	0.034
Solomon Islands	0.003	0.002	0.005	0.004	0.004	0.016	0.034	0.034
Maldives	0.005	0.003	0.004	0.004	0.004	0.015	0.033	0.034

*THE TABLE BELOW IS STAFF'S ORIGINAL PROPOSAL. SEE SUPPLEMENT 2 FOR THE FINAL VERSION.

Table A1. Illustration of Proposed Quota and Voting Shares--By Member (Concluded)
(In percent)

	Calculated Quota Share	GDP Blend Share 2/	Quota Shares			Voting Shares		
			Pre-Singapore	Post Second Round 3/	Proposed	Pre-Singapore	Post Second Round 3/ 4/	Proposed 3/ 4/
Comoros	0.0019	0.0014	0.0042	0.0037	0.0037	0.0155	0.0329	0.0329
St. Kitts and Nevis	0.0022	0.0015	0.0042	0.0037	0.0026	0.0155	0.0329	0.0319
Bhutan	0.0050	0.0044	0.0029	0.0036	0.0043	0.0143	0.0328	0.0335
St. Vincent and the Grenadines	0.0024	0.0018	0.0039	0.0035	0.0025	0.0152	0.0327	0.0317
Dominica	0.0017	0.0012	0.0038	0.0034	0.0024	0.0152	0.0327	0.0317
São Tomé and Príncipe	0.0016	0.0005	0.0035	0.0031	0.0031	0.0148	0.0323	0.0323
Tonga	0.0013	0.0009	0.0032	0.0029	0.0020	0.0146	0.0321	0.0313
Kiribati	0.0018	0.0008	0.0026	0.0023	0.0018	0.0140	0.0316	0.0311
Micronesia, Fed. States of	0.0014	0.0011	0.0024	0.0021	0.0015	0.0138	0.0314	0.0308
Marshall Islands	0.0010	0.0007	0.0016	0.0015	0.0010	0.0131	0.0308	0.0304
Palau	0.0010	0.0007	0.0015	0.0015	0.0010	0.0129	0.0308	0.0304
Tuvalu	0.0004	0.0001	--	0.0008	0.0005	--	0.0301	0.0299

Source: Finance Department.

1/ See Annex I for a description of the allocation mechanism.
2/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.
3/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo and Tuvalu which became members on June 29, 2009 and June 24, 2010, respectively. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
4/ Basic votes are calculated using the agreed percentage of total votes, 5.502 percent of total votes (provided there are no fractional votes) as in the Proposed Amendment to Enhance Voice and Participation, which has not yet entered into effect.
5/ Includes China, P.R., Hong Kong SAR, and Macao SAR.

Annex II[*]

INTERNATIONAL MONETARY FUND

Fourteenth General Review of Quotas and Reform of the Executive Board—Report of the Executive Board to the Board of Governors

November ~~[5]~~, 2010

I. Introduction

1. After an intensive debate, the Executive Board has agreed on a set of quota and governance reforms that will strengthen the Fund's legitimacy and effectiveness. The distribution of quotas and voting power has been a long-standing concern. The Board of Governors 2008 Resolution on Reform of Quota and Voice in the International Monetary Fund requested that the Executive Board recommend further realignments of members' quota shares in the context of future general quota reviews, beginning with the Fourteenth Review, to ensure that they continue to reflect members' relative positions in the world economy.[1] In the context of the global crisis, the International Monetary and Financial Committee (IMFC) in its April 2009 Communiqué called on the Executive Board to bring forward the deadline for completing the Fourteenth General Review by two years to January 2011.[2] In April 2010, the IMFC pledged to complete the quota review before January 2011, in line with the parameters agreed by the IMFC in October 2009, and in parallel to deliver on other governance reforms.[3]

2. In recent years, there have been extensive discussions both within and outside the Fund on the need to reform the Fund's governance framework. While these discussions have covered a broad range of issues, a great deal of attention has been devoted to the size and composition of the Executive Board, and the possibility of establishing an Executive Board that would be composed solely of elected Executive Directors. Many have regarded the approach taken in the current Articles, under which certain members are entitled to appoint Executive Directors, as an anachronism.

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[*] This annex reflects the final report of the Executive Board to the Board of Governors.

[1] Resolution No. 63-2, Reform of Quota and Voice in the International Monetary Fund, *adopted effective April 28, 2008.*

[2] *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (4/25/09) and Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (10/4/09).*

[3] *Communiqué of the Twenty-First Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (4/24/10).*

3. Drawing on the extensive discussions that have taken place in the Committee of the Whole and at the Executive Board,[4] this report sets out a proposal for a package of reforms, and to that end, recommends that the Board of Governors approve the resolution that is appended to this report (the "Resolution"). With respect to the proposed increases in quotas under the Fourteenth General Review, this report and the attached Resolution are submitted to the Board of Governors in accordance with Article III, Section 2 of the Articles of Agreement.[5]

4. This report is organized as follows: Section II sets out the proposal for the completion of the Fourteenth General Review of Quotas. Section III provides a commentary on the proposed amendment of the Articles of Agreement, set forth in Attachment II of the Resolution, that would establish an Executive Board consisting solely of elected Executive Directors. Proposals related to the appointment of additional Alternate Executive Directors and the size and composition of the Executive Board are discussed in Section IV. Section V summarizes procedural issues related to the quota increases, the proposed amendment and the adoption of the Resolution. The Resolution is set forth in the Appendix.

II. Proposal For the Fourteenth General Review Of Quotas

5. The conduct of the Fourteenth General Review of Quotas has been guided by the views expressed by the IMFC. At its meeting in October 2009, the IMFC stated that quota reform is crucial for increasing the legitimacy and effectiveness of the Fund. It emphasized that the IMF is and should remain a quota-based institution. It recognized that the distribution of quota shares should reflect the relative weights of the Fund's members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries (EMDCs). In this context, the IMFC supported a shift in quota shares to dynamic EMDCs of at least five percent from over-represented countries to under-represented countries using the current formula as the basis to work from. The IMFC also committed to protecting the voting share of the poorest members.

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[4] For purposes of this Report, the Executive Board and the Committee of the Whole are both referred to, for convenience, as the Executive Board.

[5] Article III, Section 2(a) provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." The five-year period prescribed by Article III, Section 2(a) for the Fourteenth General Review of Quotas ends on January 28, 2013, five years from the date on which the previous review of quotas was concluded. In its April 2009 Communiqué, the IMFC called for a prompt start to the Fourteenth General Review of Quotas, to be completed by January 2011—some two years ahead of schedule. In line with Rule D-3 of the Fund's Rules and Regulations, the decision to conduct a general review of quotas before the time at which such a review must be undertaken by the Board of Governors required the Executive Board to appoint a Committee of the Whole for this purpose. The Committee of the Whole was formed at the time of the 2009 Annual Meetings.

6. In its discussions on the Fourteenth General Review of Quotas, the Executive Board has considered, inter alia, the size of the overall increase in quotas, the size and definition of the targeted shifts in quota shares, the role of the current formula in allocating quota increases and the scope for using alternative metrics to distribute part of the increase, and the modalities for protecting the poorest members. The proposal outlined below reflects a difficult compromise, bridging considerable differences in views among Directors on each of these issues.

7. In assessing the Fund's need for resources over the medium term in order to carry out its purposes, the Executive Board stressed that the Fund is and should remain a quota-based institution, notwithstanding the recent large increase in its borrowed resources. The Executive Board noted that a range of indicators show that the relative size of the Fund has declined substantially since the last general quota increase twelve years ago. In addition, recent events have highlighted the fact that global financial crises can have broad dimensions, potentially affecting a wide group of members, while the recent reforms of the Fund's facilities could potentially expand the range of members that may seek Fund support in the future.

8. Given these considerations, the Executive Board now proposes to the Board of Governors that the total of Fund quotas agreed in the context of the 2008 quota and voice reform be increased by 100 percent from approximately SDR 238.4 billion to approximately SDR 476.8 billion. In light of the proposed increases in quotas under the Fourteenth General Review, it is further proposed that the Executive Board and participants in the New Arrangements to Borrow (NAB) undertake a review of NAB credit arrangements by November 2011, with a corresponding roll-back of the NAB, preserving relative shares, to become effective when the general conditions for the effectiveness of quota increases under the Fourteenth General Review are met (see paragraph 27~~6~~ below) and the related quota payments have been made (i.e., payments associated with the 70 percent effectiveness threshold). The Executive Board notes that the quota increases agreed under the 2008 quota and voice reform are not yet effective as the Proposed Voice and Participation Amendment approved under the 2008 reform has not yet entered into force. The Executive Board calls upon all members that have not yet done so to complete their necessary domestic processes and notify the Fund of their acceptances of the Proposed Voice and Participation Amendment as expeditiously as possible.

9. In considering the realignment of quota shares, the Executive Board has been guided by the objectives laid out by the IMFC in October 2009 and reiterated in April 2010. The proposed realignment of quota shares exceeds the minimum targets set by the IMFC. In particular, the shifts to dynamic EMDCs and from over- to under-represented countries both exceed 6 percent, and the

voting share of the poorest members is protected. To achieve these results, the Executive Board proposes that the quota increase be distributed as follows:[6]

- 60 percent of the overall increase would be distributed as selective increases in proportion to members' shares in calculated quotas using the current quota formula (based on data through 2008);

- The remaining 40 percent of the overall increase would be distributed as ad hoc increases to a subset of members, based on the following elements:

  - ➢ members that are PRGT-eligible and met the IDA income cut-off of US$ 1,135 in 2008 (or twice that amount for small countries) plus Zimbabwe maintain at least their quota share after the 2008 reform (i.e., their post second-round quota share);

  - ➢ members that are under-represented under the formula but not under the compressed GDP blend variable[7] receive their quota share after the selective increase (i.e., their post selective quota share);

  - ➢ members that are under-represented using the compressed GDP blend variable receive a uniform proportionate reduction in the difference between their share in the compressed GDP blend variable and their post-selective quota share, or one-half of the reduction for advanced country members that are also under-represented under the formula. Advanced country members that are over-represented under the formula but under-represented using the compressed GDP blend variable are capped at their share after the 2008 reform;

  - ➢ members that are over-represented are protected from falling below the higher of their share based on the formula or the compressed GDP blend;

  - ➢ no member's nominal quota is increased by more than 220 percent;

  - ➢ no member's quota share declines by more than 30 percent from its share after the 2008 reform or by more than 0.85 percentage points; and

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[6] The starting point for the quota adjustments is members' quotas after full implementation of the 2008 ad hoc quota increase; the effectiveness of these 2008 quotas is contingent on the entry into force of the Proposed Voice and Participation Amendment, which is still awaiting approval by the membership.

[7] The compressed GDP variable is the weighted average of market-based GDP (60 percent weight) and PPP-based GDP (40 percent), compressed by a factor of 0.95.

- quota shares for G-20 advanced country members are reduced by 1.37 percent from the results of combining the above elements, and by 1.35 percent for other advanced country members.

10. The proposed quotas for Australia, Canada, France, Germany, Italy, Japan, Saudi Arabia, Singapore, Spain, Tonga, ~~and~~ the United Kingdom, and the United States reflect additional adjustments ~~from those described in paragraph 9 above~~, but leave unchanged the increases in quotas for all other members as determined in accordance with the principles under ~~that~~ paragraph 9 above. The Executive Board notes that France and the United Kingdom have agreed to maintain the equal distribution of quotas between themselves under the Fourteenth General Review as first agreed under the Ninth General Review and maintained under the Eleventh General Review.

11. The proposed quotas determined in accordance with paragraph 9 above have been rounded to the nearest multiple of SDR 0.1 million. In addition to taking into account proposed quotas under the 2008 quota and voice reform as discussed in footnote 6 above, the quotas proposed under the Fourteenth Review for those members that have not yet consented and/or paid for their proposed quota increases under the Eleventh General Review have been calculated on the basis of their proposed Eleventh Review quotas.

12. The procedures to implement the quota increase are summarized in Section V. The list of proposed quotas for all members is included as Attachment I to the proposed Resolution. It is proposed that best efforts be made for the quota increase and shift in shares to enter into force by the 2012 Annual Meetings.

13. ***Formula Review***. ~~The process of adjusting quota shares to reflect the growing weight of EMDCs, including the poorest, is a dynamic one. Given the concerns about the formula expressed by all Executive Directors, the Executive Board recommends that a comprehensive review of the formula be completed by January 2013 to better reflect economic weights, in light of the Fund's mandate and the role of quotas. Further, it is proposed that the timetable for completing the Fifteenth General Review of Quotas be brought forward to January 2014.~~ The Executive Board proposes to complete a comprehensive review of the formula by January 2013.

14. ***Quota Review***. The Executive Board proposes to bring forward the timetable for completion of the Fifteenth General Review of Quotas to January 2014. Any realignment is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. It is proposed that steps also be taken to protect the voice and representation of the poorest members.

III. Commentary on Proposed Amendment on Reform of The Executive Board

~~13.~~15. ***Election of all Executive Directors***. The Articles of Agreement currently establish two categories of Executive Directors: those who are appointed, and those who are elected. The proposed amendment of the Articles set out in Attachment II of the Resolution would eliminate the category of appointed Executive Directors and require that all Executive Directors be elected. Except as discussed below, the election, tenure and status of elected Executive Directors would remain unchanged.

~~14.~~16. ***Size of the Executive Board***. The Articles of Agreement currently provide for an Executive Board composed of a total of 20 Executive Directors (5 appointed and 15 elected), but authorize the Board of Governors to increase or decrease the number of elected Executive Directors for the purpose of each regular election of Executive Directors. Taking into account the fact that all Executive Directors would be elected, the proposed amendment would maintain both the general rule regarding the total size of the Executive Board and the mechanism by which this size may be adjusted. Specifically, under the proposed amendment, while the Executive Board would consist of 20 Executive Directors (all of whom would be elected), the Articles would continue to authorize the Board of Governors, by an eighty-five percent majority of the total voting power, to increase or decrease the number of Executive Directors for the purpose of each regular election of Executive Directors.

~~15.~~17. ***Regulations governing the regular election of Executive Directors***. While the current Articles of Agreement require regular elections of Executive Directors to take place in accordance with the "default" election rules set forth in Schedule E, they also authorize the Fund to supplement and modify these rules. In particular, the Board of Governors, by a majority of the votes cast, may issue regulations making changes in the proportion of votes required to elect Executive Directors under the provisions of Schedule E. Given the general rule set forth in the Articles regarding the number of elected Executive Directors (i.e., 15), Schedule E establishes rules regarding the maximum and minimum percentage of eligible votes that may elect an Executive Director, which are based on 15 elective Executive Directors (as noted in the Commentary to the Second Amendment).[8] As the Board of Governors has over the years consistently exercised its authority to increase the number of elective Executive Directors beyond 15, it has also consistently modified these rules. In particular, the election rules have typically provided that the four percent minimum percentage specified in Schedule E would not apply in circumstances where the number of candidates nominated equals the number of Executive Director positions to be filled.

~~16.~~18. Replicating the above approach under the proposed amendment would require modifying the "default" rules set forth in Schedule E to take into account the fact that, following the proposed

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[8] *Proposed Second Amendment to the Articles of Agreement of the International Monetary Fund—A Report by the Executive Board to the Board of Governors*, 1976, Part II, Chapter O, Paragraph 2(e).

amendment: (a) the general rule under the Articles would provide for the election of 20 Executive Directors (rather than 15); and (b) the eligible votes would need to take into account the total voting power (rather than the voting power less votes cast by members who appoint Executive Directors). Moreover, as the membership has expressed a commitment to increase the number of Executive Directors to 24 at the time of each regular election (including those held after the proposed amendment enters into force), these rules would also need to be further modified at the time of each regular election to take into account this increase.

~~17.~~19. To avoid the complexities of implementing the above approach, the proposed amendment would eliminate the "default" election rules set forth in Schedule E and simply require the Board of Governors to adopt regulations (by a majority of the votes cast) that would govern the conduct of each regular election. The proposed amendment would require the regulations to establish a limit on the total number of votes that more than one member may cast for the same candidate. Any such limit could be modified from time to time and would need to be designed to take into account the objective of, on the one hand, avoiding an excessive concentration of voting power in multi-country constituencies and, on the other hand, allowing for adequate flexibility to enable members to form constituencies on a voluntary basis. The regulations could also establish a minimum threshold of votes required to elect an Executive Director. This approach would obviate the need for a two-step procedure of: (a) first, establishing new "default" election rules under Schedule E that would correspond to the higher number of elected Executive Directors established under the proposed amendment (i.e., 20); and (b) second, further modifying these election rules at the time of each regular election to take into account the commitment of the Fund's membership to increase the number of Executive Directors to 24 for the purposes of each regular election. ~~Based on discussions that have taken place to date and the long-standing practices in this area, the regulations would be designed to take into account the objective of, on the one hand, avoiding an excessive concentration of voting power in multi-country constituencies and, on the other hand, allowing for adequate flexibility to enable members to form constituencies on a voluntary basis.~~

~~18.~~20. ***Consequential amendments of the Articles***. There are a number of other provisions in the Articles that make reference to appointed Executive Directors that would need to be deleted or amended in light of the amendments discussed above. These provisions are as follows: Article XII, Sections 3(f), 3*(i)*(i)-(v), 3(j) and 8; Article XXI(a)(ii); Article XXIX(a); Schedule D, paragraphs 1(a), 5(e) and 5(f); Schedule E; and Schedule L, paragraphs 1(b) and 3(c). The revisions under the proposed amendment do not make changes to these provisions beyond those resulting from the elimination of the category of appointed Executive Directors.

~~19.~~21. ***Transitional provisions***. Upon the entry into force of the amendment, there would no longer be a category of appointed Executive Directors under the Articles. However, upon the entry into force of the amendment, there would be Executive Directors in office who had been appointed pursuant to the relevant provisions of the current Articles of Agreement. To address the transition from an Executive Board comprised of both appointed and elected Directors to a Board comprised solely of elected Executive Directors, the proposed amendment includes transitional provisions to govern the period between the entry into force of the amendment and the first election following such entry into force. It is proposed that, during this period, each Executive Director in office who had been appointed under existing Article XII, Section 3(b)(i) or Section 3(c) would be deemed to have been elected by the member that appointed him (and, in the case of Executive Directors appointed under existing Article XII, Section 3(c), by any other members that had agreed to have the Executive Director cast the number of votes allotted to those other members). The status of Executive Directors who are deemed to be elected under these transitional rules will be identical to the status of other elected Executive Directors. More generally, and as provided under Article XII, Section 3(f), all Executive Directors in office at the time of the entry into force of the proposed amendment would~~will~~ continue in office until their successors are elected.

~~20.~~22. ***Consequential amendments of the By-Laws and Rules and Regulations***. It will also be necessary to amend the provisions of the Fund's By-Laws and Rules and Regulations in due course that address the elimination of the category of appointed Executive Directors. These amendments can be proposed prior to, and become effective on, the date of entry into force of the proposed amendment.

IV. OTHER GOVERNANCE REFORMS

Second Alternate Executive Director

~~21.~~23. Beyond the quota-related issues and the proposed amendment of the Fund's Articles described above, the Resolution proposed in the Appendix addresses other related matters, including the rules governing the appointment of a second Alternate Executive Director. The 2008 Board of Governors Resolution approving the Proposed Voice and Participation Amendment (paragraph D.1 of Resolution 63-2, adopted April 28, 2008) also provided that, following the first regular election of Executive Directors after entry into force of the Proposed Voice and Participation Amendment, an Executive Director elected by at least 19 members would be entitled to appoint two Alternate Executive Directors.

~~22.~~24. Although the Proposed Voice and Participation Amendment has not yet entered into force, it is proposed that the threshold of 19 members specified in Resolution 63-2 be lowered and, specifically, that following the first regular election of Executive Directors after the entry into force of that proposed amendment, any Executive Director who is elected by 7 or more members would be entitled to appoint two Alternate Executive Directors. A provision establishing this new threshold is set out in the proposed Resolution (paragraphs 15~~4~~-16~~5~~); it would supersede the 19 member threshold set forth in Resolution 63-2 and, similar to that previous threshold, would only become effective after the first regular election of Executive Directors following the entry into force of the Proposed Voice and Participation Amendment. This threshold could be further modified by the Board of Governors by a majority of the votes cast.

Review of Executive Board Size and Composition

~~23.~~25. A second related issue concerns the review by the Board of Governors of the size of the Executive Board. As discussed earlier, the proposed amendment maintains both the general rule regarding the total size of the Executive Board and the mechanism by which this size may be adjusted. At the same time, and as is noted in paragraph 17~~6~~ of the proposed Resolution, the Fund's membership has expressed its commitment to maintain the Executive Board at its current size of 24 Executive Directors even after the current proposed amendment on reform of the Executive Board enters into force, and to review the composition of the Board every 8 years following the date the general conditions for the effectiveness of quota increases under the Fourteenth General Review (discussed in paragraph 27~~6~~ below) are met. As a legal matter, however, this commitment would not obviate the need for the Board of Governors to take a decision to increase the number of Executive Directors to 24 at the time of each regular election—nor would it require the Board of Governors to approve such an increase.

~~24.~~26. Finally, it is well accepted that representation at the Executive Board must continue to be based on the principle of voluntary constituency formation. Facilitating a re-composition of the Executive Board, therefore, requires the pro-active participation of members to consolidate constituencies and otherwise develop mechanisms for sharing the Executive Director's chair. To facilitate this, the proposed Resolution notes a commitment to reduce the number of Executive Directors representing advanced European countries by 2 in favor of EMDCs.[9] This is to be measured by the time pro-rated in the Executive Director's chair (e.g., rotation of an EMDC into an advanced European Executive Director chair for one period out of two counts as ½). The reduction would be implemented no later than the first election after the general conditions for the effectiveness of quota increases under the Fourteenth General Review (see paragraph 27~~6~~ below) are met.

V. PROCEDURE

Quota Increases

~~25.~~27. The proposed Resolution specifies that no quota increase under the Fourteenth General Review can become effective until three general conditions are met: (i) the Executive Board determines that members having not less than 70 percent of the total of quotas on November ~~[~~5~~]~~, 2010 have consented in writing to the increases in their quotas; (ii) the proposed amendment of the Articles of Agreement on the reform of the Executive Board (Attachment II of the proposed Resolution) has entered into force; and (iii) the 2008 Proposed Voice and Participation Amendment

[9] An Executive Director from a multi-country constituency will be taken to "represent" an advanced European member when that member has the right under the constituency agreement to select the Executive Director.

has entered into force. Conditions (ii) and (iii) reflect the understanding that these separate amendments and their related quota and governance components are all part of a single package of reforms. Regarding (i), a minimum participation threshold has been used in recent general quota reviews and ensures that the quotas of individual members will not begin to change until a specified critical mass of members has consented to the quota reform.

~~26.~~28. The remaining procedures applicable to quota increases follow the approach relied upon in recent quota reviews. Accordingly, while the proposed Resolution specifies that a member must consent to its increase by December 31, 2011, the Executive Board has the authority to extend this period. A member's quota cannot be increased until it has paid for the increase. The proposed Resolution provides that a member must pay its quota within 30 days after the later of (a) the date on which the member notifies the Fund of its consent, or (b) the date on which ~~the~~ all of the conditions specified in paragraph 27~~6~~ above have been met. A member may not make such a payment unless it is current in its obligations to the General Resources Account, and the proposed resolution authorizes the Executive Board to extend the period for payment. Each member is to pay 25 percent of its increase in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies; the balance of the increase is to be paid in the member's own currency.

Amendment of the Articles of Agreement

~~27.~~29. The procedure for amending the Articles of Agreement is set forth in Article XXVIII. Under this Article, a proposed amendment is to be communicated to the Chairman of the Board of Governors for consideration by the Board of Governors. If the proposed amendment is approved by the Board of Governors, the Fund is to ask all members whether they accept it. When three-fifths of the members having eighty-five percent of the total voting power have accepted the proposed amendment, the Fund is to certify that fact by a formal communication to all members.

~~28.~~30. Under Article XXVIII(c), an amendment enters into force for each member, regardless of whether or not it has accepted the amendment, three months after the date of the Fund's formal communication described in paragraph 29~~8~~ above, unless a shorter period is specified. In the case of the amendment now being proposed, the Executive Board recommends that the amendment should enter into force for all members as of the date of the Fund's formal communication. In the event the proposed amendment would enter into force shortly before the date of effectiveness of a regular election of Executive Directors, the Board of Governors would need to put in place appropriate arrangements to ensure the election would be organized under the amended provisions of the Articles.

Adoption of the Board of Governors Resolution

~~29.~~31. The Appendix to this Report contains the text of the Resolution, to which is attached the text of the proposed amendment and the proposed new quotas of members discussed above. The Chairman of the Board of Governors has requested that, on his behalf, the Secretary of the Fund should bring the Resolution and proposed amendment before the Board of Governors for its approval. It is pursuant to this request that the Secretary is transmitting this Report to the Board of Governors.

~~30.~~32. In the judgment of the Executive Board, the action requested of the Board of Governors should not be postponed until the next regular meeting of the Board of Governors and does not warrant the calling of a special meeting of the Board of Governors. For this reason, the Executive Board, pursuant to Section 13 of the By-Laws, requests Governors to vote without meeting. To be valid, votes must be received at the seat of the Fund before 6:00 p.m., Washington, D.C. time, December 15, 2010.

~~31.~~33. Considering that the Resolution proposes adjustments in the quotas of members as set out in Attachment I of the Resolution, the adoption of the Resolution requires positive responses from Governors having an eighty-five percent majority of the total voting power. The Resolution must be voted on as a whole.

Appendix

Resolution No. [ ]

Fourteenth General Review of Quotas and Reform of the Executive Board

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Fourteenth General Review of Quotas and Reform of the Executive Board: Report of the Executive Board to the Board of Governors," hereinafter the "Report"; and

WHEREAS the International Monetary and Financial Committee in its April 2009 Communiqué called on the Executive Board to bring forward the deadline for completion of the Fourteenth General Review of Quotas by two years, to January 2011; and

WHEREAS the Executive Board has recommended increases in the quotas of members of the Fund as a result of the Fourteenth General Review of Quotas; and

WHEREAS the Executive Board has recommended an amendment of the Articles of Agreement to establish an Executive Board consisting solely of elected Executive Directors; and

WHEREAS the Executive Board has recommended that, following the first regular election of Executive Directors after entry into force of the proposed amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2, an Executive Director elected by 7 or more members should be entitled to appoint two Alternate Executive Directors; and

WHEREAS the Chairman of the Board of Governors has requested the Secretary of the Fund to bring the proposal of the Executive Board before the Board of Governors; and

WHEREAS the Report of the Executive Board setting forth its proposal has been submitted to the Board of Governors by the Secretary of the Fund; 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:

Increases in Quotas of Members

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in Attachment I to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless that member has consented in writing to the increase not later than the date prescribed by or under paragraph 4 below and has paid the increase in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of those obligations.

3. No increase in quotas proposed by this Resolution shall become effective until:

   (i) the Executive Board has determined that members having not less than 70 percent of the total of quotas on November ~~[~~5~~]~~, 2010 have consented in writing to the increases in their quotas;

   (ii) the proposed amendment of the Articles of Agreement set out in Attachment II of this Resolution has entered into force; and

   (iii) the proposed amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2 has entered into force.

   Each member commits to use its best efforts to complete these steps no later than the Annual Meetings in 2012. The Executive Board is requested to monitor, on a quarterly basis, the progress made in the implementation of these steps.

4. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, December 31, 2011, provided that the Executive Board may extend this period as it may determine.

5. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date on which all of the conditions set forth in paragraph 3 above are met, provided that the Executive Board may extend the payment period as it may determine.

6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges or assessments to the General Resources Account that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

7. For members that have not yet consented to their increases in quotas under the Eleventh General Review and under Board of Governors~~'~~ Resolution No. 63-2, the deadline for consent to such quota increases shall be the date determined by or under paragraph 4 above.

8. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

Quota Formula and Fifteenth General Review of Quotas

9. ~~It is recognized that the process of adjusting quota shares to reflect the growing weight of emerging market and developing countries, including the poorest, is a dynamic one. Given the concerns about the present quota formula expressed by all Executive Directors, the Executive Board is requested to complete a comprehensive review of the formula by January 2013 to better reflect economic weights, in light of the Fund's mandate and the role of quotas. The Executive Board is also requested to bring forward the timetable for completion of the Fifteenth General Review of Quotas to January 2014.~~ The Executive Board is requested to complete a comprehensive review of the formula by January 2013.

~~9.~~10. The Executive Board is requested to bring forward the timetable for completion of the Fifteenth General Review of Quotas to January 2014. Any realignment is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. Steps shall be taken to protect the voice and representation of the poorest members.

Review of NAB Credit Arrangements

~~10.~~11. In light of the proposed increases in quotas under the Fourteenth General Review, the Executive Board and participants in the New Arrangements to Borrow (NAB) are requested to undertake a review of NAB credit arrangements by November 2011, with a corresponding roll-back of the NAB, preserving relative shares, to become effective when the conditions set forth in paragraph 3 of this Resolution are met and the quota payments associated with the participation threshold in paragraph 3(i) of this Resolution have been made.

Proposed Amendment of the Articles of Agreement of the International Monetary Fund on the Reform of the Executive Board

~~11.~~12. The proposed amendment of the Articles of Agreement of the International Monetary Fund set forth in Attachment II to this Resolution (the "Proposed Amendment on the Reform of the Executive Board") is approved.

~~12.~~13. The Secretary is directed to ask all members of the Fund, by circular letter or telegram, or other rapid means of communication, whether they accept, in accordance with the provisions of Article XXVIII of the Articles, the Proposed Amendment on the Reform of the Executive Board.

~~13.~~14. The communication to be sent to all members in accordance with paragraph 13~~2~~ of this Resolution shall specify that the Proposed Amendment on the Reform of the Executive Board shall enter into force for all members on the date on which the Fund certifies, by a formal communication addressed to all members, that three-fifths of the members, having eighty-five percent of the total voting power, have accepted the Proposed Amendment on the Reform of the Executive Board.

Additional Alternate Executive Directors

~~14.~~15. Following the first regular election of Executive Directors after the entry into force of the amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2, an Executive Director elected by seven or more members shall be entitled to appoint two Alternate Executive Directors.

~~15.~~16. As a condition for appointing two Alternate Executive Directors, an Executive Director is required to designate by notification to the Secretary of the Fund: (i) the Alternate who shall act for the Executive Director when he is not present and both Alternates are present; and (ii) the Alternate who shall exercise the powers of the Executive Director pursuant to Article XII, Section 3(f). By notification to the Secretary of the Fund, an Executive Director may change these designations at any time.

Size and Composition of the Executive Board

~~16.~~17. The Board of Governors takes note of: (i) the commitment to reduce, as a means of achieving greater representation of emerging market and developing countries, the number of Executive Directors representing advanced European countries by two no later than the first regular election of Executive Directors after the conditions set forth in paragraph 3 of this Resolution are met, and (ii) the commitment of the Fund's membership to maintain an Executive Board consisting of 24 Executive Directors, and to review the composition of the Executive Board every eight years following the date the conditions set forth in paragraph 3 of this Resolution are met.

Attachment I. Proposed Quotas 1/

	Proposed Quota (in millions of SDRs)		Proposed Quota (in millions of SDRs)
Afghanistan, Islamic Republic of	323.8	El Salvador	287.2
Albania	139.3	Equatorial Guinea	157.5
Algeria	1,959.9	Eritrea	36.6
Angola	740.1	Estonia	243.6
Antigua and Barbuda	20.0	Ethiopia	300.7
Argentina	3,187.3	Fiji	98.4
Armenia	128.8	Finland	2,410.6
Australia	6,572.4	France	20,155.1
Austria	3,932.0	Gabon	216.0
Azerbaijan	391.7	Gambia, The	62.2
Bahamas, The	182.4	Georgia	210.4
Bahrain	395.0	Germany	26,634.4
Bangladesh	1,066.6	Ghana	738.0
Barbados	94.5	Greece	2,428.9
Belarus	681.5	Grenada	16.4
Belgium	6,410.7	Guatemala	428.6
Belize	26.7	Guinea	214.2
Benin	123.8	Guinea-Bissau	28.4
Bhutan	20.4	Guyana	181.8
Bolivia	240.1	Haiti	163.8
Bosnia and Herzegovina	265.2	Honduras	249.8
Botswana	197.2	Hungary	1,940.0
Brazil	11,042.0	Iceland	321.8
Brunei Darussalam	301.3	India	13,114.4
Bulgaria	896.3	Indonesia	4,648.4
Burkina Faso	120.4	Iran, Islamic Republic of	3,567.1
Burundi	154.0	Iraq	1,663.8
Cambodia	175.0	Ireland	3,449.9
Cameroon	276.0	Israel	1,920.9
Canada	11,023.9	Italy	15,070.0
Cape Verde	23.7	Jamaica	382.9
Central African Republic	111.4	Japan	30,820.5
Chad	140.2	Jordan	343.1
Chile	1,744.3	Kazakhstan	1,158.4
China	30,482.9	Kenya	542.8
Colombia	2,044.5	Kiribati	11.2
Comoros	17.8	Korea, Republic of	8,582.7
Congo, Democratic Republic of the	1,066.0	Kosovo	82.6
Congo, Republic of	162.0	Kuwait	1,933.5
Costa Rica	369.4	Kyrgyz Republic	177.6
Côte d'Ivoire	650.4	Lao People's Dem. Republic	105.8
Croatia	717.4	Latvia	332.3
Cyprus	303.8	Lebanon	633.5
Czech Republic	2,180.2	Lesotho	69.8
Denmark	3,439.4	Liberia	258.4
Djibouti	31.8	Libya	1,573.2
Dominica	11.5	Lithuania	441.6
Dominican Republic	477.4	Luxembourg	1,321.8
Ecuador	697.7	Macedonia, Former Yugoslav Republic of	140.3
Egypt	2,037.1	Madagascar	244.4

Proposed Quotas (Concluded)

	Proposed Quota (in millions of SDRs)		Proposed Quota (in millions of SDRs)
Malawi	138.8	Sierra Leone	207.4
Malaysia	3,633.8	Singapore	3,891.9
Maldives	21.2	Slovak Republic	1,001.0
Mali	186.6	Slovenia	586.5
Malta	168.3	Solomon Islands	20.8
Marshall Islands	4.9	Somalia	163.4
Mauritania	128.8	South Africa	3,051.2
Mauritius	142.2	Spain	9,535.5
Mexico	8,912.7	Sri Lanka	578.8
Micronesia, Federated States of	7.2	St. Kitts and Nevis	12.5
Moldova	172.5	St. Lucia	21.4
Mongolia	72.3	St. Vincent and the Grenadines	11.7
Montenegro	60.5	Sudan	630.2
Morocco	894.4	Suriname	128.9
Mozambique	227.2	Swaziland	78.5
Myanmar	516.8	Sweden	4,430.0
Namibia	191.1	Switzerland	5,771.1
Nepal	156.9	Syrian Arab Republic	1,109.8
Netherlands	8,736.5	Tajikistan	174.0
New Zealand	1,252.1	Tanzania	397.8
Nicaragua	260.0	Thailand	3,211.9
Niger	131.6	Timor-Leste	25.6
Nigeria	2,454.5	Togo	146.8
Norway	3,754.7	Tonga	13.8
Oman	544.4	Trinidad and Tobago	469.8
Pakistan	2,031.0	Tunisia	545.2
Palau	4.9	Turkey	4,658.6
Panama	376.8	Turkmenistan	238.6
Papua New Guinea	263.2	Tuvalu	2.5
Paraguay	201.4	Uganda	361.0
Peru	1,334.5	Ukraine	2,011.8
Philippines	2,042.9	United Arab Emirates	2,311.2
Poland	4,095.4	United Kingdom	20,155.1
Portugal	2,060.1	United States	82,994.2
Qatar	735.1	Uruguay	429.1
Romania	1,811.4	Uzbekistan	551.2
Russian Federation	12,903.7	Vanuatu	23.8
Rwanda	160.2	Venezuela, R.B. de	3,722.7
Samoa	16.2	Vietnam	1,153.1
San Marino	49.2	Yemen, Republic of	487.0
São Tomé and Príncipe	14.8	Zambia	978.2
Saudi Arabia	9,992.6	Zimbabwe	706.8
Senegal	323.6		
Serbia	654.8		
Seychelles	22.9		

1/ This reflects the final figures as agreed by the Executive Board. The figures that are shaded were changed in the context of the Board Decision. The original staff proposal may be accessed at SM/10/293.

Attachment II

Proposed Amendment of
the Articles of Agreement of the International Monetary Fund
on the Reform of the Executive Board

The Governments on whose behalf the present Agreement is signed agree as follows:

1. **The text of Article XII, Section 3(b) shall be amended to read as follows**:

"(*b*) Subject to (*c*) below, the Executive Board shall consist of twenty Executive Directors elected by the members, with the Managing Director as chairman."

2. **The text of Article XII, Section 3(c) shall be amended to read as follows**:

"(*c*) For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors specified in (*b*) above."

3. **The text of Article XII, Section 3(d) shall be amended to read as follows**:

"(*d*) Elections of Executive Directors shall be conducted at intervals of two years in accordance with regulations which shall be adopted by the Board of Governors. Such regulations shall include a limit on the total number of votes that more than one member may cast for the same candidate."

4. **The text of Article XII, Section 3(f) shall be amended to read as follows**:

"(*f*) Executive Directors shall continue in office until their successors are elected. If the office of an Executive Director becomes vacant more than ninety days before the end of his term, another Executive Director shall be elected for the remainder of the term by the members that elected the former Executive Director. A majority of the votes cast shall be required for election. While the office remains vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate."

5. **The text of Article XII, Section 3(i) shall be amended to read as follows**:

"(i) (i) Each Executive Director shall be entitled to cast the number of votes which counted towards his election.

(ii) When the provisions of Section 5(*b*) of this Article are applicable, the votes which an Executive Director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which an Executive Director is entitled to cast shall be cast as a unit.

(iii) When the suspension of the voting rights of a member is terminated under Article XXVI, Section 2(*b*), the member may agree with all the members that have elected an Executive Director that the number of votes allotted to that member shall be cast by such Executive Director, provided that, if no regular election of Executive Directors has been conducted during the period of the suspension, the Executive Director in whose election the member had participated prior to the suspension, or his successor elected in accordance with paragraph 3(*c*)(i) of Schedule L or with (*f*) above, shall be entitled to cast the number of votes allotted to the member. The member shall be deemed to have participated in the election of the Executive Director entitled to cast the number of votes allotted to the member."

6. **The text of Article XII, Section 3(j) shall be amended to read as follows**:

"(*j*) The Board of Governors shall adopt regulations under which a member may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration."

7. **The text of Article XII, Section 8 shall be amended to read as follows:**

"The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a seventy percent majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. The relevant member shall be entitled to representation in accordance with Section 3(*j*) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members."

8. **The text of Article XXI(a)(ii) shall be amended to read as follows**:

"(*a*) (ii) For decisions by the Executive Board on matters pertaining exclusively to the Special Drawing Rights Department only Executive Directors elected by at least one member that is a participant shall be entitled to vote. Each of these Executive Directors shall be entitled to cast the number of votes allotted to the members that are participants whose votes counted towards his election. Only the presence of Executive Directors elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority."

9. **The text of Article XXIX(a) shall be amended to read as follows:**

"(*a*) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision. If the question particularly affects any member, it shall be entitled to representation in accordance with Article XII, Section 3(*j*)."

10. **The text of paragraph 1(a) of Schedule D shall be amended to read as follows:**

"(*a*) Each member or group of members that has the number of votes allotted to it or them cast by an Executive Director shall appoint to the Council one Councillor, who shall be a Governor, Minister in the government of a member, or person of comparable rank, and may appoint not more than seven Associates. The Board of Governors may change, by an eighty-five percent majority of the total voting power, the number of Associates who may be appointed. A Councillor or Associate shall serve until a new appointment is made or until the next regular election of Executive Directors, whichever shall occur sooner."

11. **The text of paragraph 5(e) of Schedule D shall be deleted.**

12. **Paragraph 5(f) of Schedule D shall be renumbered 5(e) of Schedule D and the text of the new paragraph 5(e) shall be amended to read as follows:**

"(*e*) When an Executive Director is entitled to cast the number of votes allotted to a member pursuant to Article XII, Section 3(*i*)(iii), the Councillor appointed by the group whose members elected such Executive Director shall be entitled to vote and cast the number of votes allotted to such member. The member shall be deemed to have participated in the appointment of the Councillor entitled to vote and cast the number of votes allotted to the member."

13. **The text of Schedule E shall be amended to read as follows**:

"Transitional Provisions with Respect to Executive Directors

1. Upon the entry into force of this Schedule:

(*a*) Each Executive Director who was appointed pursuant to former Article XII, Sections 3(*b*)(i) or 3(*c*), and was in office immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by the member who appointed him; and

(*b*) Each Executive Director who cast the number of votes of a member pursuant to former Article XII, Section 3(*i*)(ii) immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by such a member."

14. **The text of paragraph 1(b) of Schedule L shall be amended to read as follows:**

"(*b*) appoint a Governor or Alternate Governor, appoint or participate in the appointment of a Councillor or Alternate Councillor, or elect or participate in the election of an Executive Director."

15. **The text of the chapeau of paragraph 3(c) of Schedule L shall be amended to read as follows**:

"(*c*) The Executive Director elected by the member, or in whose election the member has participated, shall cease to hold office, unless such Executive Director was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended. In the latter case:"

Annex III

Proposed Amendment of the Articles of Agreement of the International Monetary Fund on the Reform of the Executive Board—Redline Version

Article XII, Section 3

Section 3. *Executive Board*

[…]

(*b*) Subject to (*c*) below, ~~T~~the Executive Board shall consist of twenty Executive Directors elected by the members, with the Managing Director as chairman. ~~Of the Executive Directors:~~

~~(i) five shall be appointed by the five members having the largest quotas; and~~

~~(ii) fifteen shall be elected by the other members.~~

~~For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors in (ii) above. The number of Executive Directors in (ii) above shall be reduced by one or two, as the case may be, if Executive Directors are appointed under (*c*) below, unless the Board of Governors decides, by an eighty-five percent majority of the total voting power, that this reduction would hinder the effective discharge of the functions of the Executive Board or of Executive Directors or would threaten to upset a desirable balance in the Executive Board.~~

(*c*) For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors specified in (*b*) above. ~~If, at the second regular election of Executive Directors and thereafter, the members entitled to appoint Executive Directors under (*b*)(i) above do not include the two members, the holdings of whose currencies by the Fund in the General Resources Account have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of the special drawing right, either one or both of such members, as the case may be, may appoint an Executive Director.~~

(*d*) Elections of ~~elective~~ Executive Directors shall be conducted at intervals of two years in accordance with regulations which shall be adopted by ~~the provisions of Schedule E, supplemented by such regulations as the Fund deems appropriate. For each regular election of Executive Directors,~~ the Board of Governors. ~~may issue regulations making changes in the proportion of votes required to elect Executive Directors under the provisions of Schedule E.~~[*]

[…]

(*f*) Executive Directors shall continue in office until their successors are ~~appointed or~~ elected. If the office of an ~~elected~~ Executive Director becomes vacant more than ninety days before the end of his term, another Executive Director shall be elected for the remainder of the term by the members that elected the former Executive Director. A majority of the votes cast shall be required for election. While the office remains vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate.

[…]

(*i*) ~~(i) Each appointed Executive Director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.~~

~~(ii) If the votes allotted to a member that appoints an Executive Director under (*c*) above were cast by an Executive Director together with the votes allotted to other members as a result of the last regular election of Executive Directors, the member may agree with each of the other members that the number of votes allotted to it shall be cast by the appointed Executive Director. A member making such an agreement shall not participate in the election of Executive Directors.~~

(i~~ii~~) Each ~~elected~~ Executive Director shall be entitled to cast the number of votes which counted towards his election.

[*] The proposed amendment will also provide that such regulations shall include a limit on the total number of votes that more than one member may cast for the same candidate.

(i~~v~~i) When the provisions of Section 5(*b*) of this Article are applicable, the votes which an Executive Director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which an Executive Director is entitled to cast shall be cast as a unit.

(~~v~~iii) When the suspension of the voting rights of a member is terminated under Article XXVI, Section 2(*b*), ~~and the member is not entitled to appoint an Executive Director,~~ the member may agree with all the members that have elected an Executive Director that the number of votes allotted to that member shall be cast by such Executive Director, provided that, if no regular election of Executive Directors has been conducted during the period of the suspension, the Executive Director in whose election the member had participated prior to the suspension, or his successor elected in accordance with paragraph 3(*c*)(i) of Schedule L or with (*f*) above, shall be entitled to cast the number of votes allotted to the member. The member shall be deemed to have participated in the election of the Executive Director entitled to cast the number of votes allotted to the member.

(*j*) The Board of Governors shall adopt regulations under which a member ~~not entitled to appoint an Executive Director under (*b*) above~~ may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration.

[…]

Article XII, Section 8

Section 8. *Communication of views to members*

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a seventy percent majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. The relevant ~~If the~~ member ~~is not entitled to appoint an Executive Director, it~~ shall be entitled to representation in accordance with Section 3(*j*) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members.

[…]

Article XXI
Administration of the General Department and the Special Drawing Rights Department

[…]

(*a*) […]

(ii) For decisions by the Executive Board on matters pertaining exclusively to the Special Drawing Rights Department only Executive Directors ~~appointed or~~ elected by at least one member that is a participant shall be entitled to vote. Each of these Executive Directors shall be entitled to cast the number of votes allotted ~~to the member which is a participant that appointed him or~~ to the members that are participants whose votes counted towards his election. Only the presence of Executive Directors ~~appointed or~~ elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority. ~~For the purposes of this provision, an agreement under Article XII, Section 3(*i*)(ii) by a member that is a participant shall entitle an appointed Executive Director to vote and cast the number of votes allotted to the member.~~

[…]

Article XXIX

Interpretation

(*a*) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision. If the question particularly affects any member~~ not entitled to appoint an Executive Director~~, it shall be entitled to representation in accordance with Article XII, Section 3(*j*).

[…]

Schedule D

Council

1. (*a*) Each member or ~~that appoints an Executive Director and each~~ group of members that has the number of votes allotted to it or them cast by an ~~elected~~ Executive Director shall appoint to the Council one Councillor, who shall be a Governor, Minister in the government of a member, or person of comparable rank, and may appoint not more than seven Associates. The Board of Governors may change, by an eighty-five percent majority of the total voting power, the number of Associates who may be appointed. A Councillor or Associate shall serve until a new appointment is made or until the next regular election of Executive Directors, whichever shall occur sooner.

[…]

5. […]

~~*(e)* For the purposes of (b) and 3(b) above, an agreement under Article XII, Section 3(i)(ii) by a member, or by a member that is a participant, shall entitle a Councillor to vote and cast the number of votes allotted to the member.~~

(~~f~~e) When an Executive Director is entitled to cast the number of votes allotted to a member pursuant to Article XII, Section 3(*i*)(iii~~v~~), the Councillor appointed by the group whose members

elected such Executive Director shall be entitled to vote and cast the number of votes allotted to such member. The member shall be deemed to have participated in the appointment of the Councillor entitled to vote and cast the number of votes allotted to the member.

[…]

Schedule E

Transitional Provisions with Respect to Executive Directors

1. Upon the entry into force of this Schedule:

(*a*) Each Executive Director who was appointed pursuant to former Article XII, Sections 3(*b*)(i) or 3(*c*), and was in office immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by the member who appointed him; and

(*b*) Each Executive Director who cast the number of votes of a member pursuant to former Article XII, Section 3(*i*)(ii) immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by such a member.

~~**Election of Executive Directors**~~

~~1. The election of the elective Executive Directors shall be by ballot of the Governors eligible to vote.~~

~~2. In balloting for the Executive Directors to be elected, each of the Governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5(a). The fifteen persons receiving the greatest number of votes shall be Executive Directors, provided that no person who received less than four percent of the total number of votes that can be cast (eligible votes) shall be considered elected.~~

~~3. When fifteen persons are not elected in the first ballot, a second ballot shall be held in which there shall vote only (a) those Governors who voted in the first ballot for a person not elected, and (b) those Governors whose votes for a person elected are deemed under 4 below to have raised the~~

~~votes cast for that person above nine percent of the eligible votes. If~~
~~in the second ballot there are more candidates than the number of Executive Directors to be elected, the person who received the lowest number of votes in the first ballot shall be ineligible for election.~~

~~4. In determining whether the votes cast by a Governor are to be deemed~~
~~to have raised the total of any person above nine percent of the eligible votes the nine percent shall be deemed to include, first, the votes of the Governor casting the largest number of votes for such person, then the votes of the Governor casting the next largest number, and so on until nine percent is reached.~~

~~5. Any Governor part of whose votes must be counted in order to raise the total of any person above four percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed nine percent.~~

~~6. If, after the second ballot, fifteen persons have not been elected, further ballots shall be held on the same principles until fifteen persons have been elected, provided that after fourteen persons are elected, the fifteenth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.~~

Schedule L
Suspension of Voting Rights

[…]

1. […]

(*b*) appoint a Governor or Alternate Governor, appoint or participate in the appointment of a Councillor or Alternate Councillor, or ~~appoint,~~ elect~~,~~ or participate in the election of an Executive Director.

[…]

3. […]

(*c*) The Executive Director ~~appointed or~~ elected by the member, or in whose election the member has participated, shall cease to hold office, unless such Executive Director was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended. In the latter case:

[…]