

**FOR  
AGENDA**

SM/14/22

CONFIDENTIAL

January 16, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **Fifteenth General Review of Quotas—Draft Report of the Executive Board to the Board of Governors**

Attached for consideration by the Executive Directors is a draft report of the Executive Board to the Board of Governors on the fifteenth general review of quotas, which is tentatively scheduled for discussion on **Tuesday, January 21, 2014**. A draft decision appears on page 3.

The staff proposes the publication of this paper, revised as necessary to reflect the Executive Board discussion.

Questions may be referred to Mr. Krueger (ext. 36854) and Ms. Bassett (ext. 34621) in FIN; and Mr. Steinki, LEG (ext. 38222).

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

Att: (1)

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Department Heads





**CONFIDENTIAL**

January 16, 2014

## FIFTEENTH GENERAL REVIEW OF QUOTAS—DRAFT REPORT OF THE EXECUTIVE BOARD TO THE BOARD OF GOVERNORS

Approved By  
**Andrew Tweedie**  
and **Sean Hagan**

Prepared by the Finance and Legal Departments  
(In consultation with other departments)

1. Attached for the consideration of the Executive Board is a draft report entitled “Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors” (the “Report”). The Report recalls that in completing the Fourteenth General Review of Quotas (“Fourteenth Review”) and approving the Proposed Amendment on the Reform of the Executive Board in 2010, the Board of Governors requested the Executive Board to bring forward the timetable for completion of the Fifteenth General Review of Quotas (“Fifteenth Review”) to January 2014.<sup>1</sup>
2. The Report notes that given the delay in implementing the 2010 quota and governance reforms, additional time will be needed to complete the work on the Fifteenth Review. In the Report, the Executive Board commits itself to take up the work on the Fifteenth Review as soon as the quota increases under the Fourteenth Review become effective and to complete its work on a proposal to be submitted for the approval of the Board of Governors by January 2015. The Report also urges the remaining members who have not yet consented to the quota increases under the

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<sup>1</sup> See *IMF Quota and Governance Reform—Elements of an Agreement—Report of the Executive Board to the Board of Governors* (SM/10/293, Supp.1 and Rev. 1, 11/9/10). Under the Articles of Agreement, the mandatory deadline for completion of the Fifteenth General Review of Quotas is December 15, 2015 (Article III, Section 2(a) requires the Board of Governors to conduct a general review at intervals of not more than five years).

Fourteenth Review quota increases and accepted the Board Reform Amendment to do so expeditiously.<sup>2</sup>

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

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<sup>2</sup> The proposed approach is consistent with the case of the Seventh General Review of Quotas, where the Board of Governors had also brought forward the deadline for completion of the review by two years but where the Executive Board ultimately needed more time to conclude its work.

## Proposed Decision

1. The Executive Board adopts the report entitled “Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors” that is set forth in the Annex to SM/14/22 (the “Report”).
2. The Executive Board authorizes and directs the Secretary to send to each member of the Fund the Report.
3. 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.

## Annex

### Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors

1. In completing the Fourteenth General Review of Quotas (hereafter the Fourteenth Review) and approving the Proposed Amendment on the Reform of the Executive Board (hereafter the Board Reform Amendment), the Board of Governors requested the Executive Board to bring forward the timetable for completion of the Fifteenth General Review of Quotas (hereafter the Fifteenth Review) to January 2014.<sup>1</sup> The Executive Board was also requested to complete a comprehensive quota formula review by January 2013. These forward-looking elements were part of an agreed package of 2010 quota and governance reforms (hereafter the 2010 Reforms). Each member committed to use its best efforts to complete the required steps for the effectiveness of the quota increases under the Fourteenth Review no later than the Annual Meetings in 2012.<sup>2</sup>

2. The Executive Board reported to the Board of Governors on the outcome of the quota formula review on January 30, 2013.<sup>3</sup> The report noted that important progress had been made in identifying key elements that could form the basis for a final agreement on a new quota formula. It was agreed that achieving broad consensus on a new quota formula would best be done in the context of the Fifteenth Review, and that the discussions on this issue would be integrated and move in parallel with the discussion on the Fifteenth Review.

3. The Executive Board has been briefed regularly on progress towards effectiveness of the 2010 Reforms. It also held an informal discussion in June 2013 on a staff paper that updated the

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<sup>1</sup> Board of Governors Resolution No. 66-2 on Fourteenth General Review of Quotas and Reform of the Executive Board, adopted December 15, 2010. The deadline for completing the Fifteenth Review mandated under the Articles of Agreement is December 15, 2015 (Article III, Section 2(a) requires the Board of Governors to conduct a general review at intervals of not more than five years).

<sup>2</sup> In accordance with Board of Governors Resolution No. 66-2, no increase in quotas under the Fourteenth Review can become effective until three conditions have been met: (i) consent to quota increases by members having at least 70 percent of quotas as of November 5, 2010, (ii) entry into force of the proposed Amendment on the Reform of the Executive Board, and (iii) entry into force of the Amendment on Voice and Participation. Conditions (ii) and (iii) require acceptance of the proposed amendments by three-fifths of the members representing 85 percent of the total voting power.

<sup>3</sup> See *Outcome of the Quota Formula Review—Report of the Executive Board to the Board of Governors on the Outcome of the Quota Formula Review— Decision* (SM/13/13, Supp. 2, 1/30/2013) .

quota database through 2011, reported further analytical work on two of the current quota formula variables (openness and variability), and presented a range of illustrative quota formula simulations.<sup>4</sup> A subsequent staff paper presented a further set of illustrative calculations requested by Executive Directors.<sup>5</sup>

4. To facilitate its work on the Fifteenth Review, the Executive Board established a Committee of the Whole on January 30, 2013.<sup>6</sup> However, the initiation of work on the Fifteenth Review has been put on hold to facilitate the achievement of the required acceptance threshold for the entry into force of the Board Reform Amendment (i.e., acceptance by three-fifths of the members representing 85 percent of the total voting power), which was one of the general conditions for the associated effectiveness of the quota increases under the Fourteenth Review. The amendment has not yet entered into force and there is considerable uncertainty as to whether it will enter into force in the near future.<sup>7</sup>

5. The Executive Board regrets the delay in implementing the Fourteenth Review quota increases and the Board Reform Amendment and that, as a result, it has not been able to complete its work in connection with the Fifteenth Review in accordance with the timetable set forth in Board of Governors Resolution No. 66-2. Given the delay, the Executive Board has concluded that additional time will be needed to complete its work on the Fifteenth Review.

6. The Executive Board recognizes that the immediate priority is the effectiveness of the Fourteenth Review. The Executive Board is committed to take up the work on the Fifteenth Review as soon as the quota increases under the Fourteenth Review become effective and to complete its work on a proposal to be submitted for the approval of the Board of Governors by January 2015. The Executive Board urges the remaining members who have not yet accepted the Board Reform

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<sup>4</sup> *Quota Formula—Data Update and Further Considerations* (SM/13/138, 6/6/13).

<sup>5</sup> *Quota Formula—Data Update and Further Considerations—Illustrative Calculations Requested by Executive Directors* (FO/DIS/13/108, 7/19/13).

<sup>6</sup> In accordance with Rule D-3 of the Fund's Rules and Regulations. See *Committee of the Whole for the Fifteenth General Review of Quotas* (DEC/A/13550, 1/30/13).

<sup>7</sup> As of mid-January 2014, 154 members representing 78.6 percent of quotas (requirement: 70 percent) have consented to their quota increase, and 141 members (requirement: 113) representing 76.1 percent of quota (requirement: 85 percent) have agreed to the Board Reform Amendment. The 2008 Voice and Participation Amendment entered into force on March 3, 2011. Acceptance by the United States is needed to reach the required acceptance threshold for the Board Reform Amendment.

Amendment and have not yet consented to their quota increases under the Fourteenth Review to do so expeditiously.