

SM/14/22
Supplement 1

CONFIDENTIAL

January 23, 2014

To: Members of the Executive Board

From: The Acting Secretary

Subject: **2010 Reforms and Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors—Decision**

Attached for the **records** of Executive Directors is the Secretary's understanding of the decision and the associated Report of the Executive Board to the Board of Governors on the 2010 Reforms and Fifteenth General Review of Quotas, adopted at Executive Board Meeting 14/6 (1/22/14). A redlined version is also attached for the convenience of Executive Directors.

A revised version of the paper, reflecting the Executive Board discussion, will be issued separately.

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

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

2010 Reforms and Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors—Decision

January 22, 2014

1. The Executive Board adopts the report entitled “2010 Reforms and 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, Sup. 1, 1/23/2014 (the “Report”) and 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 D.C. time, on February 12, 2014. 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.

Annex

2010 Reforms and 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 2014.¹ 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 2012.²

2. The Executive Board reported to the Board of Governors on the outcome of the quota formula review on January 30, 2013.³ 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 quota database through 2011, reported further analytical work on two of the current quota formula

¹ 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).

² 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.

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

variables (openness and variability), and presented a range of illustrative quota formula simulations.⁴ A subsequent staff paper presented a further set of illustrative calculations requested by Executive Directors.⁵

4. To facilitate its work on the Fifteenth Review, the Executive Board established a Committee of the Whole on January 30, 2013.⁶ 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.

5. The Board Reform Amendment has not yet entered into force and there is considerable uncertainty as to whether it will enter into force in the near future. As of mid-January 2014, 157 members representing 78.6 percent of quotas (requirement: 70 percent) have consented to their quota increases, and 141 members (requirement: 113) representing 76.1 percent of quota (requirement: 85 percent) have agreed to the Board Reform Amendment.⁷ The 2008 Voice and Participation Amendment entered into force on March 3, 2011.

6. The Executive Board deeply 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.

7. The Executive Board reiterates the importance and urgency of the 2010 Reforms for strengthening the Fund's effectiveness and legitimacy. This includes ensuring that, as a quota-based institution, the Fund has sufficient permanent resources to meet members' needs and that its

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

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

⁶ 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).

⁷ Forty-seven members have not yet accepted the Board Reform Amendment. Acceptance by the United States is needed to reach the required acceptance threshold.

governance structure evolves in line with members' changing positions in the world economy. To this end, the Executive Board further stresses the importance of implementing all elements of the reform package, including the elements described in paragraph 17 of the January 2013 *Report of the Executive Board to the Board of Governors on the Outcome of the Quota Formula Review*.

8. The Executive Board proposes that the deadline for the completion of the Fifteenth Review be moved from January 2014 to January 2015. The Executive Board recognizes that the immediate priority is the effectiveness of the Fourteenth Review and the Board Reform Amendment. Accordingly, the Executive Board proposes that the Board of Governors adopt a Resolution expressing its deep regret that the Fourteenth Review and the Board Reform Amendment have not become effective, and that the Fifteenth Review has not been completed by January 2014 (Appendix to the Report). The Executive Board further proposes that the Board of Governors urge the remaining members who have not yet accepted the Fourteenth Review quota increases and the Board Reform Amendment to do so without further delay. Finally, in view of the importance of making the Fourteenth Review quota increases and the Board Reform Amendment effective without further delay, the Executive Board proposes that, as the next step, the Board of Governors request the Chairman of the International Monetary and Financial Committee (IMFC) to consult with the membership and to advise the IMFC at its 2014 Spring Meeting on progress in making the Fourteenth Review and the Board Reform Amendment effective, and the available options for completing the current round of the quota reform process, with the objective of completing the Fifteenth Review by January 2015.

Appendix

Resolution No. []

2010 Reforms and Fifteenth General Review of Quotas

WHEREAS in Resolution No. 66-2 the Board of Governors agreed on the quota increases under the Fourteenth General Review of Quotas (hereinafter the "Fourteenth Review") and the Proposed Amendment on the Reform of the Executive Board (hereinafter the "Board Reform Amendment") aimed at strengthening the legitimacy and effectiveness of the Fund;

WHEREAS members committed under Resolution No. 66-2 to use their best efforts to complete the necessary steps for the effectiveness of the Fourteenth Review and the Board Reform Amendment by the Annual Meetings in 2012;

WHEREAS the Board of Governors requested in Resolution No. 66-2 that the Executive Board bring forward the timetable for completion of the Fifteenth General Review of Quotas (hereinafter the "Fifteenth Review") to January 2014; and

WHEREAS notwithstanding the aforementioned commitment and request, the Fourteenth Review and the Board Reform Amendment have not yet become effective and the Fifteenth Review has not yet been completed;

WHEREAS the Report of the Executive Board setting forth its proposals for how to proceed in light of the delays in the effectiveness of the Fourteenth Review and the Board Reform Amendment, and the completion of the Fifteenth Review 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:

1. The Board of Governors deeply regrets that the Fourteenth Review and the Board Reform Amendment have not yet become effective, and that the Fifteenth Review could not be completed by January 2014 as requested under Board of Governors Resolution No. 66-2.
2. The Board of Governors urges the members who have not yet accepted the Fourteenth Review quota increases and the Board Reform Amendment to do so without further delay.

3. The Chairman of the International Monetary and Financial Committee (IMFC) is requested to consult with the membership and to advise the IMFC at its 2014 Spring Meeting on progress in making the Fourteenth Review and the Board Reform Amendment effective, and the available options for completing the current round of the quota reform process, with the objective of completing the Fifteenth Review by January 2015.

Proposed Decision

1. The Executive Board adopts the report entitled "2010 Reforms and 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")~~, Sup. 1, 1/23/2014 (the "Report") and 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 D.C. time, on February 12, 2014. 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.

Annex

2010 Reforms and 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 2014.¹ 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 2012.²

2. The Executive Board reported to the Board of Governors on the outcome of the quota formula review on January 30, 2013.³ 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 quota database through 2011, reported further analytical work on two of the current quota formula

¹ 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).

² 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.

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variables (openness and variability), and presented a range of illustrative quota formula simulations.⁴ A subsequent staff paper presented a further set of illustrative calculations requested by Executive Directors.⁵

4. To facilitate its work on the Fifteenth Review, the Executive Board established a Committee of the Whole on January 30, 2013.⁶ 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.

4.—5. The ~~amendment~~ Board Reform Amendment has not yet entered into force and there is considerable uncertainty as to whether it will enter into force in the near future. As of mid-January 2014, 157 members representing 78.6 percent of quotas (requirement: 70 percent) have consented to their quota increases, and 141 members (requirement: 113) representing 76.1 percent of quota (requirement: 85 percent) have agreed to the Board Reform Amendment.⁷ The 2008 Voice and Participation Amendment entered into force on March 3, 2011.

5.—6. The Executive Board deeply 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.

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

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⁶ 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).

⁷ 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. Forty-seven members have not yet accepted the Board Reform Amendment. Acceptance by the United States is needed to reach the required acceptance threshold ~~for the Board Reform Amendment.~~

7. The Executive Board reiterates the importance and urgency of the 2010 Reforms for strengthening the Fund's effectiveness and legitimacy. This includes ensuring that, as a quota-based institution, the Fund has sufficient permanent resources to meet members' needs and that its governance structure evolves in line with members' changing positions in the world economy. To this end, the Executive Board further stresses the importance of implementing all elements of the reform package, including the elements described in paragraph 17 of the January 2013 *Report of the Executive Board to the Board of Governors on the Outcome of the Quota Formula Review*.

8. The Executive Board proposes that the deadline for the completion of the Fifteenth Review be moved from January 2014 to January 2015. The Executive Board recognizes that the immediate priority is the effectiveness of the Fourteenth Review and the Board Reform Amendment. ~~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. Accordingly, the Executive Board proposes that the Board of Governors adopt a Resolution expressing its deep regret that the Fourteenth Review and the Board Reform Amendment have not become effective, and that the Fifteenth Review has not been completed by January 2014 (Appendix to the Report).~~ The Executive Board further proposes that the Board of Governors urges the remaining members who have not yet accepted the Fourteenth Review quota increases and the Board Reform Amendment and have not yet consented to their quota increases under the Fourteenth Review to do so without further delay, expeditiously. Finally, in view of the importance of making the Fourteenth Review quota increases and the Board Reform Amendment effective without further delay, the Executive Board proposes that, as the next step, the Board of Governors request the Chairman of the International Monetary and Financial Committee (IMFC) to consult with the membership and to advise the IMFC at its 2014 Spring Meeting on progress in making the Fourteenth Review and the Board Reform Amendment effective, and the available options for completing the current round of the quota reform process, with the objective of completing the Fifteenth Review by January 2015.

Appendix**Resolution No. []****2010 Reforms and Fifteenth General Review of Quotas**

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3. The Chairman of the International Monetary and Financial Committee (IMFC) is requested to consult with the membership and to advise the IMFC at its 2014 Spring Meeting on progress in making the Fourteenth Review and the Board Reform Amendment effective, and the available options for completing the current round of the quota reform process, with the objective of completing the Fifteenth Review by January 2015.