September 15, 2009

The Acting Chair's Summing Up
Quotas—Updated Calculations and Quota Variables
Executive Board Meeting 09/94
September 10, 2009

Executive Directors welcomed the opportunity to initiate discussions on quotas, stressing the importance of completing the 14th General Review of Quotas within the agreed timetable, namely, January 2011. Quota shares were considered to be a core governance issue that needs to be considered along with broader governance reforms. Directors also reiterated that, in considering the size of the increase in quotas under a general quota review, a key aim should be to keep the Fund a quota-based institution. Strong collaboration and political engagement would help forge a timely consensus on these issues.

Noting that the 2008 quota and voice reform is not yet in place, Directors urged those members that have not yet done so to take the necessary domestic steps to make the 2008 reform effective as soon as possible. Some Directors considered it as a precondition for the successful completion of the 14th General Review of Quotas.

Directors noted that applying the new quota formula to the updated data set covering the period through 2007 results in a further increase in calculated quota shares for dynamic economies, most of which are emerging market and developing countries (EMDCs). Nonetheless, disparities between calculated and post-second round quota shares exist at the individual country level. Directors agreed that a significant reduction in these disparities is necessary to ensure that members' quota shares reflect their relative positions in the world economy.

Many Directors considered that a central goal of the review should be a substantial increase in the quota share of EMDCs as a group. These Directors stressed that such a shift is critical for strengthening the Fund's legitimacy and effectiveness, given the increased role and importance of EMDCs in the world economy. In this connection, an aggregate shift in quota share on the order of 5–10 percentage points was considered necessary. Many other Directors, however, found it inappropriate to target a specific increase in shares for any country group, and emphasized that the focus should rather be on increasing the shares of under-represented members, on the basis of objective economic criteria.

A number of Directors noted that protecting the voice and representation of low-income countries should be one of the goals of the review. To this end, a few Directors called for an additional increase in the relative size of basic votes beyond that agreed as part of the 2008 reform.

Directors took note of the staff's stocktaking on issues with the quota formula variables. They generally acknowledged that data constraints preclude refinements in some areas at this time. Many Directors considered that further work on the quota formula within the short timeframe available for completing the 14th review would not be productive. A number of other Directors preferred to keep these issues open, including the definition of openness and variability, and the relative weights of the variables in the formula. A number of Directors also stressed the linkages between increases in quota shares and members' financial contributions to the Fund.

Many Directors were of the view that the quota increase should include a mix of selective increases (distributed to all members in proportion to calculated quota shares based on the formula agreed in 2008), and ad hoc increases (for members that meet specified criteria). While some Directors saw a need to rely largely on ad hoc increases, a few others were not convinced that ad hoc increases are needed. A few Directors noted that the equiproportional element (where quotas are distributed to all members in proportion to existing quota shares) remains indispensable.

Directors expressed preliminary views on the appropriate size of the overall quota increase, while stressing that further staff analysis is still needed. Many Directors considered it important that the size of the overall increase be determined by a careful assessment of the Fund's long-term liquidity needs taking into account the Fund's role in a post-crisis world. Many other Directors, however, noted that the global crisis and recent Fund borrowing had amply demonstrated that the Fund's quota resources are inadequate, and called for a substantial quota increase, a doubling and possibly more.

This has been a useful initial discussion on key elements of the 14th review that will provide valuable input for Ministers and Governors as they consider how to guide our future work. Given the tight timetable, we will need to accelerate work on the 14th review in the period after the Annual Meetings. I welcome therefore Directors' commitment to contribute to the discussions with an open mind and in a cooperative spirit. Work on broader governance reforms will have to proceed in parallel, allowing us to reach a compromise that can command the broadest support possible.