

## Fifteenth and Sixteenth General Reviews of Quotas—Report of the Executive Board to the Board of Governors

1. On December 5, 2016, the Board of Governors adopted Resolution No. 72-1 on the Fifteenth General Review of Quotas (hereafter the “Fifteenth Review”), which, inter alia, (i) called on the Executive Board to work expeditiously on the Fifteenth Review in line with existing Executive Board understandings and the guidance provided by the International Monetary and Financial Committee (IMFC) on October 8, 2016, and with the aim of completing the Fifteenth Review by the 2019 Spring Meetings and no later than the 2019 Annual Meetings; and (ii) requested that the Executive Board report to the Board of Governors on progress on the Fifteenth Review semi-annually.

2. Discussions on the Fifteenth Review took place in the Committee of the Whole and comprised issues relating to the adequacy of Fund resources, the quota formula, and realigning quota shares.<sup>1</sup> On the adequacy of Fund resources, discussions were supported by staff analysis using a two-pillar framework, covering quantitative analysis and qualitative considerations. Discussions on the quota formula built on the progress achieved in the 2013 Quota Formula Review and explored possible ways of bridging diverging views. Directors also considered alternative approaches to distributing quota increases that could help facilitate an agreement. The Executive Board issued semi-annual progress reports to the Board of Governors, with an initial report by the Annual Meetings of 2017, as mandated by Resolution No. 72-1.<sup>2</sup> In its third report in September 2018, Directors noted that considerable technical work was done, and further progress would require important elements of judgment and compromise.

3. As described in the fourth progress report of April 2019, it had become evident that it will not be possible to secure the required support for a quota increase under the Fifteenth Review. Most Directors supported a quota increase, underlining the importance of maintaining a quota-based Fund and making further progress on governance reform. However, it was clear that this support fell short of the majority necessary for any change in quotas. Most Directors expressed their disappointment at this outcome.

4. In light of this development, Executive Directors initiated informal discussions on possible approaches on Fund resources and governance guided by two principles: (i) the Fund should have sufficient resources to provide full confidence that it can adequately support its membership; and (ii) the delay in further quota and governance reforms should be only temporary.

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<sup>1</sup> The Committee of the Whole for purposes of the Fifteenth Review was established by the Executive Board on January 30, 2013. The Committee of the Whole held informal meetings on September 1 and September 15, 2017; February 2, 2018; and July 30, 2018.

<sup>2</sup> *Progress on the Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors* (10/4/17, 4/3/18, 9/21/18, and 4/3/19).

5. IMFC members and non-IMFC G20 members, at the April 12, 2019 restricted session, endorsed the above two principles and gave the Managing Director a mandate to put together a package that includes the following key elements on resources and governance reform:

- On resources: (i) reaching an agreement on the overall IMF resource envelope for the next few years, with the Managing Director expressing the hope that this agreement will be to at least maintain the current envelope; (ii) increasing the New Arrangements to Borrow (NAB); and (iii) reaffirming that the IMF remains a quota-based institution.
- On governance: (i) affirming that reforms will continue under the Sixteenth General Review of Quotas (“Sixteenth Review”), through a realignment of quota shares; (ii) agreeing on other guidance for the Sixteenth Review, building on commitments made for the Fifteenth Review; and (iii) developing an ambitious and realistic timetable for completing the Sixteenth Review.

6. On October 15, 2019 the Executive Board sent a notification to the Board of Governors informing them that discussions on the package were still ongoing and, as a result, the Executive Board would not be able to make a recommendation to the Board of Governors on the conclusion of the Fifteenth Review by the 2019 Annual Meetings. The Executive Board committed to report to the Board of Governors by November 2019 on the outcome of discussions on the Fifteenth Review, the goals and timetable for the Sixteenth Review, and on the way forward on IMF resources, with a view to facilitate a vote by the Board of Governors concluding the Fifteenth Review before the end of 2019.

7. Following extensive consultations with member authorities and Executive Directors, the Managing Director obtained, on October 18, 2019, endorsement from IMFC members and non-IMFC G20 members for the key elements of a package on IMF resources and governance reform. This endorsement was reflected in the October 19, 2019 IMFC Communiqué:<sup>3</sup>

*“We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the global financial safety net. We note the lack of progress on a quota increase under the 15<sup>th</sup> Review and call on the Executive Board to complete its work on the 15<sup>th</sup> Review and on a package of IMF resources and governance reforms, and to report to the Board of Governors as soon as possible. We support maintaining the IMF’s current resource envelope and welcome the extension of the 2016 Bilateral Borrowing Agreements by one year. We look forward to consideration of a doubling of the New Arrangements to Borrow and a further temporary round of bilateral borrowing beyond 2020.*

*Beyond the 15<sup>th</sup> Review, we are committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16<sup>th</sup> General Review of Quotas, including a new quota formula as a guide, with the Review to be extended from 2020 to no later than December 15, 2023. In this context, we remain committed to ensuring the primary role of quotas in IMF resources. Any adjustment in quota shares would be expected to result in*

<sup>3</sup> [Communiqué of the Fortieth Meeting of the IMFC](#) (10/19/19).

*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, while protecting the voice and representation of the poorest members.”*

8. NAB participants met in Washington, D.C. on October 19, 2019 and expressed their support for the proposed doubling of NAB credit arrangements and the establishment of a new NAB period from 2021 to 2025. Building on these discussions, staff prepared a paper for Executive Board consideration. On December 20, 2019, the Executive Board informed the Board of Governors that some additional time was needed to conclude domestic procedural steps before the Executive Board could consider the proposed reform of the NAB, and that, as the NAB reform was part of a package on IMF resources and governance reform, it was not possible to conclude the Fifteenth Review before the end of 2019 as anticipated under the October 15 notification to the Board of Governors. The Executive Board would report to the Board of Governors on the outcome of the Fifteenth Review, the goals and timetable for the Sixteenth Review, and the way forward on IMF resources by around mid-January 2020. On January 16, 2020, the Executive Board approved the proposed doubling of NAB credit arrangements and certain amendments to the NAB decision, and consents of NAB participants are now being sought for these changes to become effective on January 1, 2021.<sup>4</sup> Discussions on a new round of BBAs will take place in early 2020, with a view to maintaining the Fund’s current overall resource envelope, with broad creditor participation.

9. The Board of Governors is asked to adopt a resolution continuing the Sixteenth Review beyond the deadline of December 15, 2020 under the Articles of Agreement, and with the aim of concluding the Sixteenth Review by no later than December 15, 2023. This recognizes that the completion of the Fifteenth Review was delayed and that more time is therefore needed to conclude the Sixteenth Review. This would be consistent with the approach taken in the Sixth, Ninth, Tenth, and Fifteenth General Reviews of Quotas.<sup>5</sup>

10. Against this backdrop, the Executive Board proposes that the Board of Governors adopt a Resolution (i) concluding the Fifteenth Review with no increase in quotas, (ii) keeping the Sixteenth Review open beyond December 15, 2020 and with the aim of concluding it by no later than December 15, 2023, and (iii) providing guidance for the Sixteenth Review in line with the IMFC guidance in the October 19, 2019 Communiqué.

11. The Executive Board will provide semi-annual progress reports on the Sixteenth Review to the Board of Governors, with a first report by the time of the 2021 Annual Meetings.

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<sup>4</sup> See [Proposed Decisions to Modify the New Arrangements to Borrow and to Extend the Deadline for a Review of the Borrowing Guidelines](#) (12/3/19).

<sup>5</sup> In accordance with Rule D-3 of the Fund’s Rules and Regulations, the Executive Board established a Committee of the Whole for the Sixteenth Review on December 13, 2019.

## Draft Board of Governors Resolution

**Resolution No. [-----]**

### **Fifteenth and Sixteenth General Reviews of Quotas**

*In accordance with Section 13 of the By-laws, the following Resolution was submitted to the Governors on January 17, 2020, for a vote without meeting:*

WHEREAS the Executive Board has submitted to the Board of Governors a Report entitled “Fifteenth and Sixteenth General Reviews of Quotas” (hereinafter the “Report”);

WHEREAS the Board of Governors in Resolution No. 72-1 regretted that the timetable for completing the Fifteenth General Review of Quotas (“Fifteenth Review”) established under Resolution No. 71-2 was no longer within reach, and called on the Executive Board to work expeditiously on the Fifteenth Review in line with existing Executive Board understandings and the guidance provided by the International Monetary and Financial Committee on October 8, 2016, and with the aim of completing the Fifteenth Review by the 2019 Spring Meetings and no later than the 2019 Annual Meetings;

WHEREAS after it had become evident that it would not be possible to secure the required support for a quota increase under the Fifteenth Review, the Managing Director was given a mandate at a special session of the members of the International Monetary and Financial Committee (IMFC) and non-IMFC G20 members during the 2019 Spring Meetings to put together a package on resources and governance reform;

WHEREAS the Executive Board notified the Board of Governors on October 15, 2019 that, as discussions on the package on resources and governance were still ongoing, the Executive Board was not in a position to make a recommendation to the Board of Governors on the conclusion of the Fifteenth Review by the 2019 Annual Meetings.

WHEREAS the IMFC reaffirmed on October 19, 2019 its commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the global financial safety net and called on the Executive Board to complete its work on the Fifteenth Review and on a package on IMF resources and governance reform, and to report to the Board of Governors as soon as possible;

WHEREAS the IMFC on October 19, 2019 supported maintaining the IMF’s current resource envelope, welcomed the extension of the 2016 Bilateral Borrowing Agreements by one year, and looked forward to consideration of a doubling of the New Arrangements to Borrow and a further temporary round of bilateral borrowing beyond 2020.

WHEREAS, in line with the IMFC guidance, the Executive Board has approved a doubling of the New Arrangements to Borrow, and will continue to work on a new round of Bilateral Borrowing

Agreements in early 2020, which should seek to maintain the Fund's current resource envelope in the period beyond 2020;

WHEREAS the Executive Board reports that there is not the required support among the membership for a change in quotas under the Fifteenth Review;

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 Fifteenth General Review of Quotas ("Fifteenth Review"), under Article III, Section 2(a), is concluded with no increase in quotas.
2. The Sixteenth General Review of Quotas ("Sixteenth Review"), under Article III, Section 2(a), will continue beyond December 15, 2020 and shall be concluded no later than December 15, 2023. In this context, the Executive Board is requested to revisit the adequacy of quotas and continue the process of IMF governance reform, including a new quota formula as a guide, and ensure the primary role of quotas in IMF resources. Any adjustment in quota shares would be 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, while protecting the voice and representation of the poorest members.
3. The Board of Governors calls on the participants in the New Arrangements to Borrow to provide promptly the required consents to make the doubling of the New Arrangements to Borrow effective by January 1, 2021.
4. The Executive Board is requested to report to the Board of Governors on progress on the Sixteenth Review semi-annually, with a first report by the 2021 Annual Meetings.