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IMF Governance and the 16th General Review of Quotas

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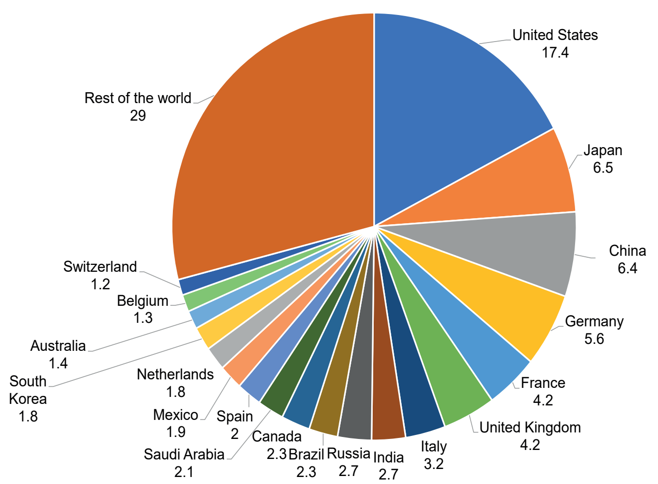
- The role of the International Monetary Fund (IMF), which was originally established in 1944 to stabilise currency exchange rates and organise international monetary and financial cooperation, has gradually been expanded. It currently plays an essential role in the international financial system.
- The IMF's governance is based on a system of quotas, which are allocated to each member country. Each country's quota determines the financial contribution it is required to make to the IMF, its voting rights, and the number of special drawing rights it receives in general allocations. Although most decisions are made by consensus, this governance structure is similar to that of a company limited by shares, with quotas representing both each country's contribution to the IMF's permanent resources and its relative voting rights.
- Each country's quota is based on economic variables. The most recent change to the distribution of quotas between countries was made in 2010. Despite developments in the global economy and a number of quota reviews, the IMF's ownership structure has remained unchanged since then. The 16th review, concluded in December 2023, provides for a uniform 50% increase in each country's quota, without changing the distribution between countries.
- Against this backdrop, questions surrounding a potential reform of the Fund's governance continue to be relevant. These questions focus on how to realign the level and distribution of quotas with the size of the global economy and the relative weight of member countries. Following the commitment made by its members in October 2023, the IMF's Executive Board is due to put forward its proposals by June 2025, as part of the 17th General Review of Quotas, including by considering how the theoretical quota formula could be changed.

Distribution of IMF quotas since the 14th review (% of total)



Source: International Monetary Fund, 2023.

1. The shareholder principle underpinning the IMF's governance

1.1 The IMF's decisions are made by its members

The International Monetary Fund (IMF), established in 1944 by 44 countries to facilitate international monetary cooperation, guarantee exchange stability and prevent the problems that arose during the Great Depression,[1] now has 191 members. As well as carrying out economic analysis, the Fund advises its members on economic policy, offers them technical assistance and provides financial support to struggling countries.[2]

As provided for in its Articles of Agreement, which have been amended seven times since 1944, the IMF has three levels of governance, and is similar to a shareholder system in which the decision-making power of member countries is based on their contribution to the Fund's resources:

- The Board of Governors is the Fund's highest supervisory body. The Governors who sit on the board are usually the finance ministers and, in some cases, the central bank governors[3] of all the member countries. They have voting rights in proportion to their share in the Fund's permanent resources, as set by the quotas (see below). In practice, the Board of Governors delegates a significant proportion of its powers to the Executive Board. It remains, however, the only body able to take certain important decisions (generally by an 85% majority of votes), such as the admission of new members, changes to the Fund's shareholding structure, the allocation of special drawing rights or amendments to the Articles of Agreement.

- The Executive Board is responsible for the day-to-day running of the IMF. As at 1 November 2024, the Board had 25 executive directors. This Board is responsible for adopting and reviewing the IMF's programmes[4] for member countries, certain publications, the general principles governing loans granted by the Fund and for adopting decisions on the internal organisation of the IMF's staff. Every two years, the Board of Governors sets the rules for allocating seats on the Executive Board, including the number of executive directors, before the directors are voted in. Based on the current setup, each seat must theoretically represent at least 2% of the quotas, although exceptions have been made. While some member countries (the United States, China, Japan, Germany, France, the United Kingdom, India and Saudi Arabia) have sufficient quotas to have their own seat, the majority have to pool their votes into "constituencies", based on geographical or similarity criteria, in order to exceed the 2% threshold and nominate a director to represent several countries. By way of illustration, Spain (1.92% of voting rights) is grouped with six Spanish-speaking countries, including Mexico (1.80%), with a director who represents 4.53% of the aggregate voting rights.

- The IMF's Management is responsible for managing and supervising the Fund's staff. The management team includes the Managing Director, who chairs the Executive Board and manages the IMF's staff. This position, which is held for a five-year term, is currently held by Kristalina Georgieva, whose second term began in October 2024.

The Board of Governors and the Executive Board can also draw on the work of the International Monetary and Financial Committee (IMFC).[5] The IMFC's members are ministers and central bank governors. It meets at the Spring Meetings of the IMF and World Bank in April, and at their Annual Meetings in October to discuss the IMF's workplan and governance.

(1) The Fund was established with a view to promoting a balanced international monetary system. Article 1 of the Articles of Agreement establishing the IMF lists six purposes of the Fund: (i) To promote international monetary cooperation; (ii) To facilitate the expansion of international trade; (iii) To promote exchange stability; (iv) To assist in the establishment of a multilateral system of payments; (v) To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, without resorting to measures destructive of national or international prosperity; (vi) To shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

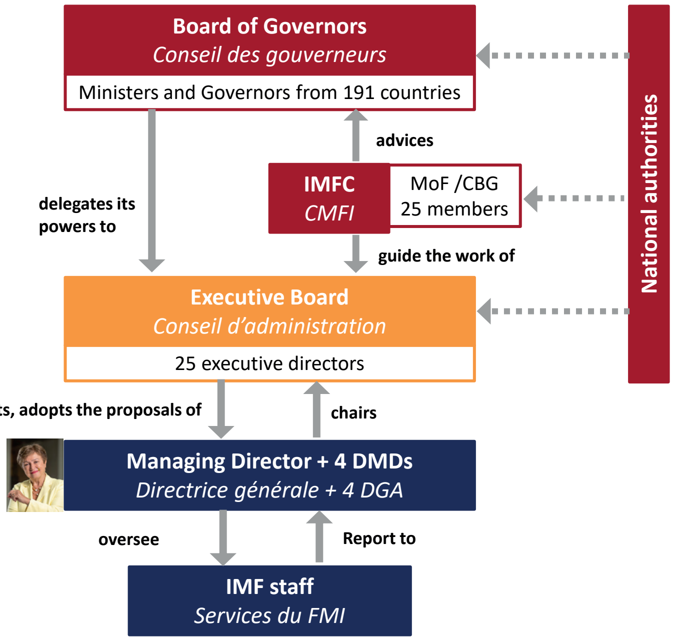
(2) See L. Besson and H. Landot (2022), "How Crises Are Putting IMF Financial Support to the Test", *Trésor-Economics*, No. 314.

(3) Article XII of the Articles of Agreement provides that each country is free to appoint its own governor.

(4) More specifically, these are decisions to grant funding to member countries, generally accompanied by commitments by these countries to carry out reforms within the framework of "programmes".

(5) The International Monetary and Financial Committee (IMFC) had 25 members as at 1 November 2024, based on the format used by the Executive Board.

Chart 1: IMF governance structure



Source: DG Trésor.

1.2 A quota-based institution

In order to determine the influence of each of the member countries in how the IMF is run, they are each allocated a quota that works like a shareholding in a company limited by shares. For example, at the end of December 2024, France's quota was 20.155bn special drawing rights (SDRs),[6] representing almost USD 26.4bn,[7] or 4.23% of the total quotas.

The quotas have four functions:

- Contributions to resources: A member country's quota corresponds to the level of financial resources that it is required to make permanently available to the Fund (so that the Fund can issue loans to members who need them).[8]
- Access to financing: the IMF's lending instruments include access limits expressed as a percentage of a country's quota. Should a country's financial needs exceed this limit, the loan programme granted to the country will be made under the "exceptional access" policy, which entails meeting a stricter set of criteria.
- Voting rights: each country has voting rights reflecting 94.5% of the amount of its quota. The remaining 5.5% is a set percentage, divided equally between all members.[9] Most IMF decisions are made by consensus without a vote. Only the most formal decisions (primarily those made by the Board of Governors) require a vote, either by a simple majority of 50% or, more rarely, by an enhanced majority of 85%. However, over and above the

(6) Special drawing rights (SDRs) are an international reserve asset created by the IMF in 1969 to supplement the international foreign exchange reserves of its member countries. They also serve as the IMF's unit of account. See L. Besson and H. Landot (2022), op. cit., Box 2.
(7) At the end of 2024, each SDR unit was equivalent to around USD 1.31.
(8) Loans financed by the Fund's quota resources are available to all member countries. Developing countries may also, under certain conditions, be granted loans financed by trust funds created from voluntary contributions from other countries rather than by quotas. Firstly, the Poverty Reduction and Growth Trust (PRGT) has, since 2009, been granting concessional loans to low-income countries facing balance of payments problems (unlike loans from the IMF's General Resources Account, which are available to all the Fund's members but at the SDR interest rate). Secondly, the Resilience and Sustainability Trust (RST) has, since 2022, been granting loans at below-market interest rates to developing countries (including those eligible for the PRGT) that are carrying out climate reforms alongside an IMF programme. L. Besson and H. Landot (2022), op. cit. and B. Cabrillac and F. Grieco (2023), op. cit.
(9) The effect of this equal distribution is to marginally increase the voting rights of countries with a low quota, and to reduce the voting rights of the highest contributor countries to below their proportion of the quotas.

formal exercise of voting rights, a member country's voting rights also determine its weighting in consultations with the Fund's staff and with other members.

- Allocation of special drawing rights: in the event of a general allocation of SDRs to meet global liquidity needs, the newly created SDRs are distributed among the Fund's member countries in proportion to their quota (four general allocations of SDRs have been carried out since the IMF was established, most recently in August 2021).[10]

A theoretical formula provides guidance for setting quotas, but does not fully reflect how they are actually distributed, with previous quota reviews having granted ad hoc quotas that deviate from the formula.

The quotas – and therefore the level and allocation of the Fund's resources – and the IMF's governance are reviewed every five years. A change in the volume or distribution of quotas requires a qualified majority of at least 85% of the voting rights. This grants a de facto right of veto to the United States, which holds 17.4% of the quotas and 16.5% of the voting rights.

Accordingly, each country's quota is intended to reflect its weighting in the international financial system, and to closely link countries' contributions to the Fund, their access to its resources, and their influence on the IMF's decisions. In this respect, the IMF differs from other international financial institutions, where decision-making mechanisms may be based on other balancing criteria, for example at multilateral development banks or operating entities of multilateral financial instruments,[11] where geographical criteria may be a decisive factor in addition to each member's financial weighting. The IMF, being a financial institution that uses its members' assets to support other members that are facing financial difficulties or crises, also differs from the UN system, where the "one country, one vote" rule prevails.

The IMF's annual administrative budget is financed entirely by the Fund's activities, and does not require any budgetary contributions from member countries (other than in relation to concessional lending activities). For example, for the April 2023-2024 financial year, the IMF's expenditure was SDR 5,687m (including operating expenses of SDR 1,174m)[12] while its income was SDR 8,731m, generated from charges, surcharges and fees on its loans, interest earned on SDR holdings and investment income. In aggregate, the IMF's net income was SDR 3,044m (which can then be allocated to investment accounts or precautionary balances, or distributed to members).

Box 1: The quota formula

Since 2008, the quota formula for each country has been based on four factors:

- 50% on GDP blend (nominal GDP for three fifths, and GDP at purchasing power parity for two fifths, over a three-year period);
- 30% on the openness of its economy (measured by the annual average total of international payments and receipts over five years);
- 15% on the variability of net capital flows (measured by their standard deviation from the centred three-year trend over a 13-year period);
- 5% on exchange reserves (measured as the 12-month average of all the country's reserves: foreign exchange reserves, SDRs, the country's reserve position with the IMF, gold reserves).

A compression factor of 0.95 is applied to limit excessive disparities.[a]

a. Calculated quota = $(0.50 \times GDP + 0.30 \times Openness + 0.15 \times Variability + 0.05 \times Reserves)^{0.95}$.

(10) See L. Besson and H. Landot (2022), op. cit. and B. Cabrillac and F. Grieco (2023), "Special Drawing Rights Issued by the IMF and the Challenge of Channelling Them to the Most Vulnerable Countries", *Bulletin de la Banque de France*, No. 248/2.

(11) For example, the African Development Bank's Board of Directors comprises 13 members elected by African countries and 7 members elected by non-African countries. The Green Climate Fund's Board is made up of 12 members from developing countries and 12 members from developed countries.

(12) Other expenses comprised 4,488 million in interest paid on members' reserve tranches and 25 million in interest payments on borrowed resources.

2. Misalignment in the volume and structure of the IMF's resources has been growing steadily

2.1 Resources increasingly not tied to quotas

The IMF has three types of resources available to it, known as "lines of defence":

- When the Fund was established in 1944, the intention was that it would be financed solely by its members' quotas. These quotas constitute the priority resources to be used or the "first line of defence".
- In 1962, General Arrangements to Borrow (GABs) were introduced against a backdrop of unstable capital flows.[13] In 1997, they were replaced by New Arrangements to Borrow (NABs), which are multi-year financing arrangements between the IMF and 40 countries (in 2024), allowing the Fund to call on additional resources if necessary, subject to the approval of a qualified majority of the countries participating in the NABs. NABs form the "second line of defence".
- Bilateral Borrowing Agreements (BBAs) have been entered into with certain countries (42 since 2020), whose resources can be called upon if the resources available from quotas and NABs fall below the threshold of SDR 100bn. They represent the "third line of defence".

Borrowed resources account for an increasingly large proportion of the IMF's total resources. At the end of 2023, quota resources totalled SDR 476bn (≈ USD 638bn), while resources made available under borrowing agreements (NABs and BBAs) represented SDR 364bn (≈ USD 488bn) and SDR 140bn (≈ USD 188bn), respectively, i.e. 51.4% of the Fund's total resources. NABs were activated ten times between 2011 and 2016 (while the BBAs have never been activated), underlining the inadequacy of the quota resources, particularly during the European sovereign debt crisis. However, the NABs and BBAs were designed as temporary instruments that were due to expire after a few years. They are also relatively difficult to activate, requiring a special agreement from creditors in addition to the approval of the Fund's Executive Board. This raises the question of the long-term sustainability of the IMF's resources and their availability in the event of shocks.

In addition, the IMF's permanent resources (quotas) are not increasing at the same rate as the global economy, thereby reducing its capacity to react to crises. Although the Articles of Agreement provide for the quotas to be reviewed every five years, the reviews are, in practice, carried out at irregular intervals and have not always resulted in the quotas being increased. The 12th and 13th reviews of quotas, concluded in 2003 and 2008 respectively, decided to maintain the status quo, the 14th review, in 2010, decided to increase the Fund's quotas (implemented in 2016), and the 15th review, concluded in 2020, once again maintained the status quo.

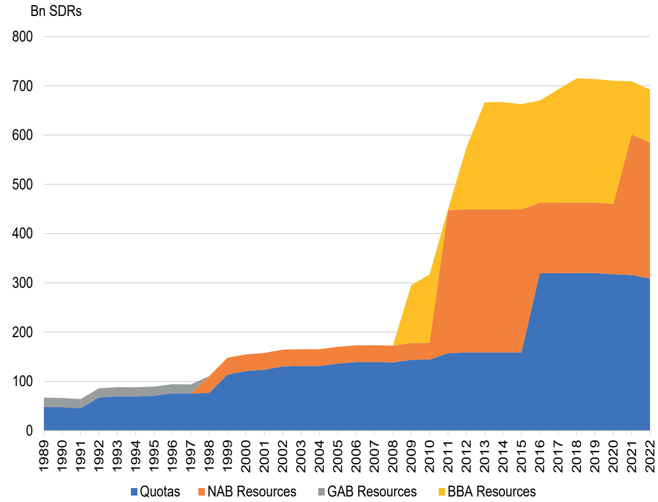
As a result, in 2023, the IMF's total resources (i.e. the sum of quotas, NABs and BBAs) represented 1.26% of global GDP, compared with 1.65% in 2017.[14] As a percentage of global GDP, the quotas have also been eroded, falling from 0.83% of global GDP in 2017 to 0.61% in 2023. Moreover, not all the resources can be directly accessed, as some of them come from countries that do not have a strong external position and the necessary prudential buffers. In 2023, out of SDR 980bn, the IMF's effective lending capacity (which can be called on in the short term) was estimated at SDR 695bn.[15]

(13) In 1958, the return to external convertibility of the main European currencies and the Japanese yen was accompanied by the lifting of restrictions on trade and capital flows. This led to a high degree of volatility in capital flows between industrialised economies, particularly the United States and the United Kingdom, whose currencies were heavily used in building up reserves. The introduction of the GABs increased the Fund's ability to react to any imbalances, particularly by calling on industrial countries with a surplus external position, without having to increase the contributions made to the IMF across the board.

(14) Calculation by DG Trésor, based on IMF data and IMF (2021), "Adequacy of Fund Resources", *Policy Paper*.

(15) It is made up of resources that can be accessed in the medium term (i.e. only those resources coming from countries with a strong external position), excluding a 20% prudential buffer designed to ensure that the lending countries can collect the payments owed to them.

Chart 2: Changes in the IMF's resources (actual lending capacity) by resource type



Source: IMF, 2022.

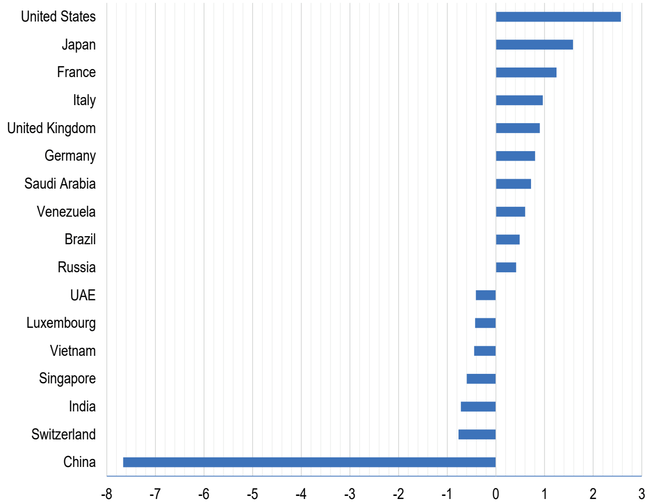
2.2 The Fund is considered to be increasingly less representative of the global economy

A change in the distribution of quotas can usually take place when the overall amount of the quotas increases.[16] The distribution of the newly created quotas means that the overall distribution between countries can be changed, for example by allocating them to one or more members considered to be under-represented. Consequently, the greater the overall increase, the more leeway there is for quota realignment.[17] The formula used to calculate the quotas (see Box 1) is merely a "guide" that the IMF's members may or may not follow when allocating additional quotas. There are three types of increase:

- "Equiproportional" – where the allocation of quotas follows the pre-existing distribution.
- "Selective" – where the allocation of new quotas strictly follows the formula with a view to relative rebalancing.
- "Ad hoc" – where the allocation of new quotas benefits certain pre-identified countries (e.g. low-income countries or countries considered to be significantly under-represented in the Fund's governance).

The current distribution of quotas differs significantly from the quotas that would have resulted if the formula had been strictly applied over the years on each increase. Some countries are over-represented in relation to their "theoretical" quota (as calculated by the formula) while others are under-represented (see Chart 3). China is particularly under-represented, with a discrepancy of 7.7 percentage points between its theoretical and actual quota, which explains its regular requests for a more favourable distribution (see below).

Chart 3: Misalignments in the IMF's quotas in absolute terms



Source: IMF – DG Trésor calculations, 2023.

Difference between the quota calculated using the theoretical formula and the current quota resulting from the most recent review, in percentage points (only misalignments greater than 0.4 pp are shown).

How to read this chart: China's quota is 7.7 pp below its theoretical quota (under-representation), while the United States' quota is 2.6 pp above its theoretical quota (over-representation).

On an aggregate basis, since the 14th review concluded in December 2010, the G7 countries have held 43.4% of the IMF's quotas rather than the 34.5% they would have under the theoretical formula, while emerging and developing countries have held 38.6%, rather than the 46.0% they would have under the formula. More specifically, the situations of emerging and developing economies are varied, with developing countries in Asia being under-represented (13.0% of quotas versus the theoretical 23.4%) and sub-Saharan African countries over-represented (3.5% versus 2.7%).

(16) Theoretically, it is possible to change the distribution of quotas without increasing their total amount, but that requires a country to agree to a reduction in its quotas.
(17) Provided that there is no change in the distribution of existing quotas.

These "misalignments" are fuelling criticism of the IMF on the basis that its governance does not reflect the growth of emerging countries over the last three decades. Such criticism is regularly made by emerging and developing countries, in particular Brazil, which held the presidency of the G20 in 2024.[18] The IMF's perceived lack of representativeness may fuel the development of competing institutions, leading to fragmentation that undermines the universality and effectiveness of the international financial institutions. This trend has already been seen vis-à-vis the World Bank, with the establishment of the New Development Bank (initiated by the BRICS countries), and the Asian Infrastructure Investment Bank (initiated by China). Between 2009 and 2019, China also entered into 30 bilateral swap lines,[19] while in 2014 the BRICS countries[20] set up a Contingent Reserve Arrangement with capital of USD 100bn to trade in short-term liquidity. However, in the absence of clear safeguards on the counterparties for access to the liquidity lines, these bilateral or regional instruments remain sub-optimal alternatives to the IMF, which constitutes the only universal layer of the global financial safety net, as virtually all countries are members.[21]

A more general criticism of the IMF's governance has been voiced by civil society organisations and the UN Secretary General,[22] who want the IMF to move towards greater representation of low-income countries by removing the link between contributions to resources and governance weightings, which would constitute an upheaval in the IMF's role and operating method (see Box 3).

3. Recent developments concerning the Fund's governance

3.1 Quota distribution unchanged by the 16th review

Following the Annual Meetings of the IMF and World Bank in October 2023, the IMF's members formally approved, by a 93% majority, the conclusion of the 16th General Review of Quotas in December 2023. This provides for: (i) a 50% increase in the total volume of quotas without any change in their distribution; (ii) a work programme with a view to "realigning" the quotas as part of the forthcoming 17th General Review of Quotas; and (iii) expanding the Executive Board with the creation of a 25th seat from Sub-Saharan Africa:

- The 50% increase in quotas will be "equiproportional", i.e. with no change in the relative weightings of each country. The agreement also stipulates that, following this increase, the IMF's lending capacity must remain at the same level. It will therefore be accompanied by a corresponding reduction in borrowed resources, with the phase-out of BBAs and a 16% reduction in NABs. With no change to its lending capacity, the IMF will therefore be primarily a quota-based institution, as quotas will account for 70% of the IMF's resources, compared with 48% at present. Increasing the share of quotas as a proportion of the IMF's resources will provide an opportunity to review the limits on access to

(18) In September 2023, at the UN General Assembly, Brazilian President Lula Da Silva denounced "unequal and distorted" representation at international financial institutions and called for a "new economic governance". Speech by President Luiz Inácio Lula da Silva at the Opening of the 78th UN General Assembly – Planalto (www.gov.br).

(19) Bilateral swap lines between central banks are ex-ante agreements that set out the terms and conditions under which these banks can exchange foreign currency liquidity. They are a tool used to protect against liquidity risk. Economically, the transaction is similar to a foreign currency loan, with collateral denominated in the local currency and with the borrower bearing the foreign exchange risk. See B. Campagne, J. Lecumberry, M. Morin Wang and M. Salomé (2018), "The Global Network of Central Bank Swap Lines", *Trésor-Economics*, No. 231.

(20) Brazil, Russia, India, China and South Africa (in 2014).

(21) E. Fahri, P.-O. Gourinchas and H. Rey (2011), "Quelle réforme pour le système monétaire international", Conseil d'analyse économique, Réformer le système monétaire internationale, p. 51.

(22) UN (2023), "Reforms to the International Financial Architecture", Our Common Agenda, *Policy Brief* 6.

lending instruments,[23] which are calculated as a proportion of each member's quota.

- While many IMF members have agreed on the need to review the distribution of quotas, they have been unable to agree on how such a realignment should be carried out. The United States, which holds a veto with 16.5% of the voting rights, has indicated that it will only support an equiproportional increase. In response to this lack of progress, the Executive Board has recognised "the urgency and importance of quota share realignment to better reflect members' relative positions in the world economy, while protecting the quota shares of the poorest members."[24] The IMF's Executive Board is due to develop possible approaches as a guide for further quota realignment by June 2025, as part of the 17th General Review of Quotas, including through a new theoretical quota formula.

- The 16th review increased the number of seats on the Executive Board to 25, with the new seat meaning that the sub-Saharan African countries are now represented by three executive directors instead of two. This new director took office on 1 November 2024.

Box 2: The implementation date of the quota increase remains uncertain

The approval of the conclusions of the 16th General Review of Quotas should have resulted in each member country individually agreeing to an increase in its own quota by 15 May 2025. An increase in the quotas effectively means that each country makes certain resources available to the IMF. In France, this operation, which is primarily accounting in nature, has an impact on the State's balance sheet, but has no effect on its budget and cash position.

The quota increases can only be implemented if member countries holding at least 85% of the voting rights have given their consent. At the end of April 2025, the threshold of 85% of voting rights had not been reached and the increase in quotas had not come into effect. For the record, the 14th review (approved in December 2010) did not come into force until January 2016, as it was delayed by the US ratification process, which required the approval of Congress.

(23) Annual and cumulative access limits (expressed as a percentage of the country's quota) apply to the total amount borrowed under the IMF's lending instruments. If the financing requested by a country exceeds this limit, the country falls under the "exceptional access" regime, which entails stricter conditions. The increase in quotas provided for in the 16th review will, therefore, alter the volume of financing available to borrowing countries unless these limits are reviewed. Both the review of the access limits on loan instruments made from the General Resources Account, concluded in December 2024, and the review of the Poverty Reduction and Growth Trust adopted on 15 October 2024, include a clause under which their access limits are automatically revised in proportion to the increase in quotas, once the increase takes effect.

(24) IMF press release of 18 December 2023 on the Board of Governors' approval of the 16th General Review of Quotas.

3.2 An inevitable discussion on governance

Expectations for a future quota realignment are particularly high in emerging markets and developing economies. The French authorities consider these expectations to be legitimate.[25] In particular, France supports Pact for Prosperity, People and the Planet, which promotes the need to "reinforce the governance of the international financial architecture to make it more efficient, more equitable, and fit for the world of today".

Adjustments to the distribution in effect could already be made based on the current formula. For example, in 2010, the 14th General Review of Quotas concluded with a realignment involving the transfer of six percentage points of quotas between over-represented and under-represented countries. 60% of the new quotas were distributed by selective allocation and the remaining 40% by ad hoc allocation.

Many developed as well as emerging and developing countries believe that this formula accurately reflects the IMF's mandate, and that using it as a reference for a new distribution of quotas would allow emerging countries to be better represented. They therefore believe that there is no need to modify the formula, especially as they cannot identify a satisfactory alternative likely to meet with a broad consensus.

Other countries, including the United States,[26] would like to see a change in the formula, which they see as a precondition of realignment. The proposals on the table include:

- Changing the weighting of the existing factors, for example reducing the role of the "variability" and "reserves" factors, which some believe give the wrong economic incentives by favouring fluctuations in net capital flows or the accumulation of foreign exchange reserves;
- Altering the "GDP" factor, to give greater weight to nominal GDP or GDP in terms of purchasing power parity (GDP in terms of purchasing power parity is considered to favour emerging and developing countries, but it is more difficult to measure), or by changing the length of the three-year reference period (and its sensitivity to variations in economic activity);
- Altering the "openness of the economy" factor, for example by excluding intra-regional trade flows,which would penalise countries that are highly integrated within monetary and economic regions, such as EU Member States;
- The introduction of a "population" factor, or even a "vulnerability" factor: this approach, advocated by the UN Secretary-General, would give greater weight to developing countries with rapidly changing demographics or that are vulnerable to climate change. However, it would delink the quotas from the relative weighting of each country in the global economy;
- Factoring in any voluntary financial contributions made to the IMF, whether they be provided to a trust fund as part of the process of allocating special drawing rights to the most vulnerable countries (PRGT and RST), or to finance the Fund's technical assistance services.

Countries' interests depend on their situation:

- For example, it is in the interests of the major emerging countries that the quotas reflect their relative weighting in the global economy, given the very strong growth in their GDP and their level of trade integration.
- Conversely, in such a scenario, the weightings of low-income countries and small developing countries would be diluted. It is therefore in their interests for the formula to include vulnerability criteria. More realistically, they could ensure that their quotas are not diluted, as most IMF parties agree on the principle that the voice of the poorest countries needs to be protected. Better representation of these countries could be achieved through working on the Fund's governance bodies (see Box 3).

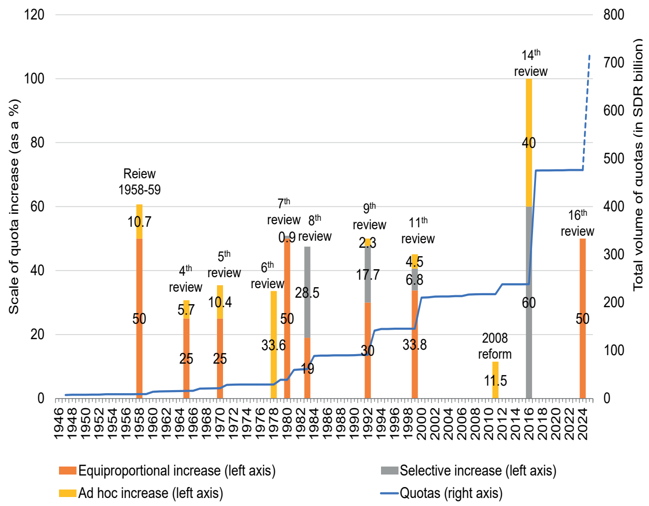
(25) Speech by President Macron to the Ambassadors' Conference, on 28 August 2023, in Paris.
(26) Written statement by Janet Yellen to the International Monetary and Financial Committee, 13-14 October 2023: "We continue to call for the IMF to follow through on its commitment to a new quota formula that is both fair and simple and primarily reflects the economic size of its member countries, and regret that an agreement on a new formula has not been reached. In the absence of a new formula, an equi-proportional increase is the only viable outcome that avoids arbitrarily picking winners and losers."

- The United States would also like to see a change in the "GDP" factor of the formula, as it currently appears to be under-represented based on its share of global GDP. Furthermore, it will probably not want its share to be reduced below 15% of voting rights, in order to preserve its de facto right of veto.
- China, currently the third-largest country in terms of quotas (6.40%) and the most under-represented country, is seeking to become the Fund's second-largest shareholder. However, Japan (the second-largest country in terms of quota volumes at 6.47%) strongly supported an equiproportional increase in quotas during the 16th review (believing that realignment could not be achieved without the formula being modified).

Past experience shows that agreeing on a new quota formula can be difficult; the formula has only been revised three times since the IMF was established in 1944. In addition, the formula is only very partially applied when realigning quotas, since quota increases can also be "equiproportional" or "ad hoc" (see 2.2. and Chart 4). Consequently, it may be more realistic to work directly on an actual realignment rather than on developing a new formula.

Any changes to quotas and possible realignments of quotas will be the result of both technical and political negotiations. A change may therefore require that the countries that are granted higher quotas assume a greater level of responsibility in relation to multilateralism. This could involve, for example: achieving the best possible levels in terms of the implementation of the obligations under the IMF's Articles of Agreement (exchange arrangements, transparency of data relating to external accounts and public accounts);[27] commitments as creditors to greater transparency and sustainable debt practices, as well as debt treatments where necessary based on a multilateral approach implemented effectively and clearly; and more generally greater participation in the international financial system (including contributions to multilateral concessional funds in line with their weighting in the global economy).

Chart 4: Previous quota increases and quota allocation methods



Source: IMF – 2024.

(27) Articles IV and VIII of the IMF Articles of Agreement.

Box 3: Changes that are more institutional in nature?

Beyond the issue of realigning quotas, proposals are being put forward for the IMF's governing bodies to better reflect the geographical diversity of its members (and their opinions). Some of the proposals are aimed, for example, at increasing the number of Executive Board directors to above 25, changing how the Managing Director of the IMF is appointed (a role traditionally given to a European national),[a] or increasing the number of the IMF's Deputy Managing Directors (currently four).[b]

Certain non-governmental organisations sometimes question the very premise of the IMF's quotas, proposing that they be aligned with UN principles by introducing the "1 country = 1 vote" rule. However, such a transformation would profoundly change the nature of the Fund, which until now has been "quota-based", as well its ability to take action (through its decision-making mechanisms) and could cause major economies to abandon it. While the countries with greater economic heft are required to contribute more to the IMF's resources, this is done in return for greater decision-making powers within the Fund.

a. The United States and Europeans continue to benefit from the 'gentlemen's agreement' whereby the position of Managing Director of the IMF is given to a European, while the position of President of the World Bank is given to an American. Ajay Banga was appointed President of the World Bank in 2023, and Kristalina Georgieva was reappointed for a second term as head of the IMF in 2024.

b. With the position of Managing Director usually assumed by a national of a European state, three of the four Deputy Managing Directors are generally nationals of the United States, Japan and China respectively (the biggest three countries by shares in decreasing order). The current Managing Director is Kristalina Georgieva (Bulgaria), while the four Deputy Managing Directors are Gita Gopinath (United States), Kenji Okamura (Japan), Bo Li (China) and Nigel Clarke (Jamaica).

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