The Policy Framework of the International Monetary Fund (IMF): An Overview of Recent Developments

Mary J. Keeney

Abstract
This Article outlines some key IMF policy developments, discusses their global financial implications and highlights some direct implications for Ireland as a member of the IMF. The passing of the 14th General Review implied significant reforms to the IMF’s lending capacity, country representation and governance as well as to the conditions under which Members can access resources. Other recent changes include a fundamental modification of the exceptional access framework and lending into arrears policies as well as the recognition by the IMF of the global currency status of the Renminbi. The Article concludes with a brief discussion of future challenges for the IMF.

1 The author is Acting Head of Function (International Relations) in the Monetary Policy Division of the Central Bank of Ireland. The views expressed in this article are strictly the views of the author and are not necessarily those held by the Central Bank of Ireland or the European System of Central Banks.
1. Introduction

The International Monetary Fund (IMF) is an international financial organisation headquartered in Washington D.C. of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF operates through its extensive policy framework which underpins the Fund’s responsibilities for surveillance, financial assistance and capacity development. This Article outlines some recent IMF policy developments, discusses their global implications and highlights some direct implications for Ireland as a member of the IMF. The next section explains how the IMF is organised and how it is financed. Section 3 assesses the eventual ratification of the 14th General Review which implied significant reforms to the IMF’s lending capacity, country representation and governance as well as to the conditions under which Members can access resources. Section 4 looks at changes to the IMF lending framework. Other recent changes including the fundamental modification of the exceptional access framework, lending into arrears policy and the recognition by the IMF of the global currency status of the Renminbi will be discussed in subsequent sections. Finally, the Article concludes with a brief discussion of future challenges for the IMF.

2. IMF Organisation and Finances

Member countries contribute funds to a pool through a quota system from which countries experiencing balance of payment difficulties can borrow. A country’s quota is based broadly on its relative size in the world economy, determines a member country’s monetary commitment to the Fund, its voting power and has a bearing on its access to IMF financing. The IMF’s Board of Governors conducts general quota reviews at regular intervals (usually every five years). In addition to providing financial assistance, the IMF has a global and country-specific surveillance remit. The organisation monitors global economic trends and developments that affect the health of the international monetary and financial system and advises member countries on sound economic and financial policies. While the Board of Governors is the highest decision making body, the 24 member Executive Board is responsible for conducting the daily business. A Board Member (‘Constituency’) can represent one or multiple member countries with the votes of each member equal to the sum of its basic votes (equally distributed amount all members) and quota-based votes. Therefore a member’s quota determines its voting power.

The Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF. Its value is based on a basket of key international currencies. The Euro has a current exchange rate of 1.27 Euro to one SDR.

3. The 14th General Review of Quota and Governance

In December 2010, IMF Board of Governors approved a package of quota and governance reforms including a doubling, on average, of IMF members’ quotas and a major realignment of quota shares among members. The reform had two purposes: first, to boost resources which had come under strain as a result of the Global Financial Crisis; and second; to rebalance voting rights in favour of underrepresented members, notably emerging market economies. European members, including Ireland, ratified the reforms quickly. The United States (US), which holds over 15 per cent of the IMF voting power, delayed ratification of their domestic legislation. Ratification by three fifths of Fund members representing 85 per cent of the total voting power is necessary for the reform to take effect. As such, the 14th General Review could

---

2 It was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944 to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s. It came into formal existence in 1945 with 29 member countries. Ireland joined the IMF in 1957.

3 The IMF governor is usually either the Finance Minister or Central Bank Governor of the IMF member country.
Governance reform

The reforms resulted in a shift of more than 6 per cent of quota shares to emerging market and developing countries and an equivalent shift from over-represented countries to under-represented countries, while protecting the quota shares and voting power of the poorest members. China will now have the third largest IMF quota and voting share after the United States and Japan (Chart 1). For the first time four emerging-market countries (Brazil, China, India, and Russia) will be among the 10 largest members of the IMF.\footnote{The 14th Review also implied changes for the way the Executive Board operates, for example, requiring all Executive Directors to be elected and ending the category of appointed Executive Directors.}

As shown in Chart 1, advanced economies and the European Union IMF members collectively experienced the largest voting-share declines, while that of the US dropped marginally from 16.7 per cent to 16.5 per cent allowing it to retain its blocking minority for key policy IMF Executive Board decisions. Ireland’s voting share (and quota) increased from 0.53 per cent (SDR 1,297.6 million) to 0.71 per cent (SDR 3,449.9 million) which has largely corrected Ireland’s underrepresentation. On an measure of over-representedness (the difference between actual quota shares and calculated quota shares\footnote{Other top 10 members include the four largest European countries (France, Germany, Italy, and the United Kingdom).}, the post 2010 reforms voting share of advanced economies still remains relatively high, despite being reduced by over a third.

Advanced European Country representation

In 2010, advanced European countries across 10 constituencies\footnote{Using the current quota formula and intervening data updates, calculated quota shares simulate the quota which could theoretically apply between quota reviews. Comparing calculated with actual quota shares gives an indication of the representedness of the country member and/or the potential for future changes in governance and representation.} made a commitment to reduce their combined Board representation on the 24 member Executive Board by two chairs. To date, it is estimated that 1.64 of the two seat commitment has been achieved.\footnote{The IMF’s 24-member Executive Board takes care of the daily business of the IMF. Together, these 24 board members represent all 189 countries. Large economies, such as the United States and China, have their own seat at the table but most countries are grouped in constituencies representing 4 or more countries. The largest constituency includes 24 countries. With 10 Caribbean countries, Ireland is a member of the Canadian constituency and holds the Alternate Executive Director role permanently.} Ongoing constituency agreements, determining the rotation and sharing of executive board seats, currently imply that advanced EU countries will have two seats less after the upcoming election of the IMF Executive Board. At the same time, the delivery of the two chairs is not ensured for 2018. Ireland does not have or share an IMF Executive Board seat and cannot contribute to this commitment.\footnote{Belgium and the Netherlands, each previously with a board representative, consolidated into one, freeing up one Executive Board seat. Switzerland agreed to share its seat with Poland, which counts as an emerging economy, increasing emerging market representation by half a seat. An expanded Nordic-Baltic constituency to include Baltic countries - also emerging economies – has further reduced the advanced European share in favour of emerging markets, albeit still from Europe.}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart1.png}
\caption{Share of global economic output vs voting shares in the IMF under the 2010 reforms}
\end{figure}

Source: Author’s calculations, IMF WEO database.
Moreover, the fragmentation of votes across different constituencies is deemed to add some coordination challenges for the highly interconnected members of the euro area. The ECB, EU Commission and non-EU members of the IMF support a single representation of the euro area at the IMF. The 2015 *Five Presidents Report* on Deepening Economic and Monetary Union refers to the importance of the euro area in international trade, backed by a unified trade policy. It also indicates that the euro area should have a single voice internationally due to our ‘Banking Union’ together with our single monetary and exchange rate policy. The European Commission on 21 October 2015, as part of its package to strengthen and deepen the Economic and Monetary Union, therefore put forward a proposal for a more unified representation of the euro area at the IMF by 2025. Discussions on this proposal are ongoing given that there is some resistance to the proposal at individual country level.

**Composition of Fund lending resources**

The recent quota reforms also improved the quality of Fund lending resources. Having more permanent resources in the form of quotas will mean the Fund can lend without having to rely on the secondary multilateral agreements to borrow or bilateral borrowing agreements or purchase note agreements with individual countries. Non_quota resources are temporary by definition and are less stable as they often require national political approval with each renewal and/or expansion.

During the financial crisis, it looked likely that quota resources could fall short of the projected global financial needs (Chart 2). In 2011, the supplementary funding agreement known as the New Arrangements to Borrow (NAB) was expanded from SDR 38 billion to SDR 370 billion, with the addition of 14 new participants, including those from a number of emerging market countries (Chart 2). The expanded NAB has since been activated ten times with the last activation on October 1, 2015. As part of the 14th General Review, the NAB was rolled back from SDR 370 billion to SDR 182 billion. In November 2016, the IMF’s Executive Board approved its renewal for another five years starting in November 2017 at this lower level. A key risk for this funding source is that US participation is not guaranteed in the long term. A key condition of the US ratification of the 14th Review was the imposition of a sunset clause that Congressional approval is required for continued US participation in the NAB after 2022. These non-quota developments indicate that the significant uncertainty about the balance between temporary and permanent resources for the Fund will continue into the medium term.

**Borrowing agreements**

As the third line of defence after quota and NAB resources, and highly relevant during the Global Financial Crisis, the IMF signed a

---


11 The IMF maintains two standing multilateral borrowing arrangements—the New Arrangements to Borrow (NAB) and the General Arrangements to Borrow (GAB). These are backstop resources intended to temporarily supplement available quota resources and borrowing. If activated, participating creditor countries make loans to the IMF, and the IMF uses those funds to provide loans to eligible countries.
number of bilateral loan and note purchase agreements with individual member countries. On August 29, 2016, the Executive Board agreed a new framework to at least maintain temporary access to bilateral borrowing. While reiterating that the Fund must remain a quota-based institution, it was recognised that securing continued access to temporary bilateral borrowing was necessary to maintain the Fund’s overall lending capacity amid elevated uncertainty and risks in the global economy. The last set of bilateral borrowing agreements agreed in 2012 had two-year terms initially and came to represent close to a third of the Fund’s overall lending capacity. These were extended by one year in 2014 and again in 2015 in light of the non-ratification of the 14th Review and continued vulnerabilities in the global economy. The IMF has expressed concerns about the potential decrease of the Fund’s total lending capacity to about SDR 470 billion after the phased ending of these bilateral agreements which commenced in October 2016. The decrease could significantly decrease IMF resources as a percentage of external liabilities (Chart 2). 

4. Changes to the IMF lending frameworks

A key condition for the US ratification of the 14th General Review was the repeal of the “systemic risk exemption” clause from the IMF’s “exceptional access framework”. The systemic exemption had previously allowed the Fund to grant exceptionally large financial assistance to Greece, Ireland and Portugal in 2010 and 2011 relative to respective quota size because of the risk of spillovers and financial instability. These loans were made without requiring a public sector debt restructuring even though there were uncertainties, at the time, about the sustainability of official debt in each of the countries. In the decade before the crisis, there was virtually no IMF lending to EU countries; by the end of 2012, the EU share of outstanding IMF loans was more than 70 per cent, with most of these loans going to these three euro area countries. These financial assistance programmes also stood out in net international financial liabilities terms: each had external financial liabilities of close to 100 per cent of GDP at the onset of their Programmes, well above the 43 per cent that was the average for all other IMF Programmes countries in the previous decade (Pisani-Ferry et al, 2013).

Aside from creating substantial exposure risk for the Fund itself, the systemic exemption has been criticised on a number of fronts. Analysis suggests that it delayed necessary policy adjustments in borrowing countries, exacerbated the debt overhang and held back sustained economic recoveries. De facto, it was also considered ineffective in mitigating spillover risks (Taylor, 2014; IMF 2014). Removal of the systemic exemption was a US condition for ratifying of the 14th Review. As a result, the Fund is now able to make financing conditional on a broader range of debt operations, including the potentially less disruptive option of a “debt reprofiling”. Creditors can be asked to defer or reprofile their debt service payments for a number of

Quota formula

As requested by the Board of Governors in completing the 14th General Review of Quotas and Governance, a comprehensive review of the quota formula was carried out in early 2013. While important progress was made on key elements that could form the basis for a new formula, it was agreed that achieving broad consensus on a new formula could best be tackled in the context of the 15th General Review of Quotas, which will be discussed later in 2016 and 2017. The quota formula must continue to ensure that future quota allocations reflect the global importance of small, open and dynamic emerging market and developing economies.

Discussion with creditors are ongoing. At end 2016, 25 members of the Fund had committed a total of SDR 243 billion in bilateral borrowed resources with an initial term to end-2019, with some extendable for a further year to end-2020 with creditors’ consent.
years, in the expectation that the country’s adjustment programme will enable it to return to growth and postpone its repayments.\footnote{There are some good precedents for this approach. Faced with looming cliffs in their debt service obligations, Uruguay in 2003 and Dominican Republic in 2005 reprofiled their debt with IMF support. Both recovered quickly and the hit to their creditors was small.}

Under the new policy, if there are concerns about the sustainability of public debt, Fund engagement is conditional on measures being undertaken to improve the debt sustainability outlook, for example through debt reprofiling operations or the provision of other concessional official financing. Importantly in a monetary union context, the new policy still allows the IMF to deal with rare “tail-event” cases where even a reprofiling is considered untenable because of contagion risks. In these supposed rare cases, the IMF should still be able to provide new large-scale financing without a debt operation, but would require that other official funders also provide financing to backstop debt sustainability concerns and safeguard IMF resources.

In a Programme situation, it has become normal that financial support from other official creditors occurs jointly with IMF financial support. The relative “burden sharing” between the Fund and other official creditors has depended on the country circumstances and has differed from programme to programme. Euro area programmes were some of the largest in the Fund’s history, both in SDR terms and as a per cent of quota, reflecting the size of the financial systems, the adjustment challenges and the close integration of these economies into global capital markets (IMF 2015). The 2010 loan to Greece, for example, was 2,159 per cent of Greece’s quota at the IMF. The 2011 loan to Ireland was 2,322 per cent of the country’s quota.

In 2012, concessions on lending conditions for Greece introduced the possibility of reprofiling into the EU lending policies. The conditions of EFSF lending were amended accordingly, and

<table>
<thead>
<tr>
<th>Table 1: Financing needs, sources and exposure to quota of euro area borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ billion</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Gross Financing Need</td>
</tr>
<tr>
<td>Debt issuance/roll-over</td>
</tr>
<tr>
<td>Privatisation</td>
</tr>
<tr>
<td>Net financing need</td>
</tr>
<tr>
<td>Bank support</td>
</tr>
<tr>
<td>Total Financing Need</td>
</tr>
<tr>
<td>Of which: Contribution IMF</td>
</tr>
<tr>
<td>Contribution EFSM, EFSF, ESM and bilateral lenders</td>
</tr>
<tr>
<td>Use of country’s financial buffers</td>
</tr>
<tr>
<td>IMF exposure: EFF Approval % to quota:</td>
</tr>
<tr>
<td>General Government debt (% GDP in 2010)</td>
</tr>
<tr>
<td>General Government debt (% GDP in 2013)</td>
</tr>
</tbody>
</table>

Source: European Commission programme documents (The Economic Adjustment Programme), IMF Financial Data, WEO Database April 2016

Note: The financing needs of Greece are taken from the first programme in 2010 only
the other EFSF program countries, Ireland and Portugal similarly benefited from debt relief in the form of significantly increased maturities (Schumacher and di Mauro, 2015). The EFSF/ EFSM and bilateral lenders decreased lending rates (by the removal of the interest rate margins) with a substantial extension of loan maturities. With the removal of these margins, IMF loans became relatively expensive. This motivated Ireland’s 2014 decision to repay the more expensive portion of the IMF loans early: on 20 March 2015 Ireland completed the third and final early repayment of Ireland’s IMF loan facility bringing cumulative repayments to approximately SDR15.7 billion. This represents a repayment of just over €18 billion, or 81 per cent of Ireland’s original €22.5 billion IMF loan facility. These repayments discharge IMF principal repayment obligations that were originally to fall due from July 2015 to January 2021 and were replaced with less expensive market-based funding.

5. Access limits and surcharge policy
To avoid excessive reliance on Fund financing and potential delays in adopting appropriate adjustment measures, the Fund has put in place limits on the amount of borrowing relative to quota and imposes surcharges on large – relative to quota – sized loans. In the context of the doubling (on average) of the quotas with the 14th Review, the access and surcharge policy was reviewed to ensure a wider level of access to fund lending resources. A second objective, through adjusting the surcharge limits, was to marginally increase the incentive for early repayment of extended fund facility (EFF) borrowing. If credit outstanding remains above 187.5 per cent of quota after 51 months (increased from 36 months), the level-based surcharge on the interest rate is augmented with a time-based element and the total surcharge level rises to 300 basis points.

When Ireland first entered an IMF extended arrangement, the outstanding balance was well above the then surcharge limit and these changes would have had very significant monetary implications for Ireland. However, due to the early repayment of the Irish IMF loans, the changes now have no implications for Ireland. Of specific relevance to Ireland, however, is the threshold for determining required Post Programme Monitoring (PPM) by the IMF. Ireland’s outstanding credit, at 110 per cent of quota, ensures Ireland remains within the limit for continued post programme monitoring. This was an important condition for European and bilateral lenders’ agreement to facilitate the early repayment of the Irish IMF loans in 2014.

6. IMF lending-into-arrears policy
On December 8 2015, the IMF Executive Board approved a reform of its non-toleration of arrears in its lending policy, which allows the Fund to provide financing to a country even if it is in arrears to official bilateral creditors (IMF 2015b). Unlike the Fund’s previous lending-into-arrears (LIA) policy for private creditors, the Fund was prevented from lending to countries if they had unresolved arrears to official bilateral creditors unless the arrears were covered by a Paris Club agreement or the creditor consented to the Fund providing financing. Coinciding with the global financial crisis, there was an increase in the number of (non-Paris Club) countries providing official finance to other sovereigns.

14 The maturity on Ireland’s loan was increased from between 2016-29 to 2029-2042 and on Portugal’s loan from 2015-38 to 2025-2040, increasing the weighted average maturity to more than 20 years (EFSF 2013a, 2013b).
15 The new access annual and cumulative limits are 145 and 435 per cent of new quota, respectively from 200 and 600 per cent of old quota respectively, resulting in an average increase of 45 per cent on average in SDR terms.
16 Previous to the 14th review surcharges were payable at 300 per cent of quota. After this change, a rate of 200 basis points will be paid on the amount of credit outstanding above 187.5 per cent of quota. If credit remains above 187.5 per cent of quota after three years, this surcharge rises to 300 basis points.
17 This was to better align time-based surcharges with the start of IMF repayments (normally after 5 months under extended arrangements).
18 On December 31, 2013 our outstanding balance stood at SDR 19.465 billion and now stands at SDR 3.773 billion.
19 Countries such as China, Brazil, India and Saudi Arabia have become and are expected to remain increasingly important lenders.
A second issue with the previous policy was that it could give rise to situations in which official creditors holding a minority of the claims on a country could block or delay IMF support to that country, even when the majority were willing to restructure or refinance their claims. With a potential veto power over IMF financing, individual creditors could hold out from any restructuring or refinancing agreements amongst other official creditors in the hope they could get better terms directly from the debtor. This would delay the resolution of any debt crisis and could lead to an involuntary default, raising costs to all parties. The changed policy allowed the IMF to move ahead with a substantial tranche of support and a substantial debt restructuring deal for Ukraine despite a sovereign loan outstanding to Russia, which was deemed to be acting in bad faith as an IMF member country.

Under the changed rules, the Fund will engage a two-step process: in the first step all creditors would be encouraged to reach a consensus. While the Paris club is a well-established forum for official sector involvement, the Fund would also recognise agreements reached in other representative fora, should such fora emerge. If an agreement cannot be reached and the Paris Club grouping is “adequately representative” of all official creditors, the Fund should still be able to lend to countries in official arrears under certain circumstances. Using the principle of ‘comparable treatment’ with non-Paris Club creditors, the new policy strengthens the incentive for collective action and should prevent holdout situations preventing the resolution of sovereign debt problems.

Moreover, the new LIA policy allows those official bilateral creditors who are owed arrears to give their consent to IMF financing. The IMF Executive Board agreed that, given the importance of the policy change, and depending on the complexity and number of cases that arise, the policy may need to be reviewed within a relatively short period, namely, two to three years.

7. Including of the Renminbi into the SDR basket – 1 October 2016

Special drawing rights (SDR) are supplementary foreign exchange reserve assets defined and maintained by the IMF. While not a currency per se, they represent a claim to currency held by IMF members for which they are exchanged. The value of the SDR is based on a basket of key international currencies reviewed by the IMF every five years. Before the recent review there were four currencies: the US dollar, euro, Japanese yen and pound sterling. The weights assigned to each currency in the SDR basket are adjusted to take into account their current prominence in terms of international trade and national foreign exchange reserves.

In its most recent review conducted in November 2015, the Executive Board decided that the Renminbi (RMB) meets the amended criteria, agreed in 2000, for SDR basket inclusion. These encompass an export criterion and the “freely usable” criteria determined as the currency being widely used to make payments for international transactions and traded in the principal exchange markets. Effective from October 1, 2016, the RMB is now the third largest currency in the five-currency SDR basket with a weighting of just over 10.9 per cent of the total. The amount of each currency in the revised basket was calculated on September 30, 2016 in accordance with each currency’s weights and its average exchange rate over the three months to that date.

8. Future challenges to the IMF

Even with the entry into the 14th General Review, the share of permanent quota resources at the IMF as a share of global external liabilities has declined sharply (Chart 2). Over the past 20 years, the ‘global financial safety net’ (GFSN) has become broader and more fragmented, with reserve holding, particularly by China and some other EMEs,
The Policy Framework of the International Monetary Fund (IMF): An Overview of Recent Developments

The IMF is mandated to oversee and ensure the effective operation of the international monetary system (IMS) globally. As the IMF can combine country surveillance and lending to prevent crises, a reliable and flexible resource base allows the IMF to meet its crisis prevention mandate. The discussion on the appropriate size of the IMF can also be seen against its available lending toolkit. Early this year (2017), the IMF Executive board will reassess the Fund’s suite of lending instruments. By making its short-term and flexible funding more attractive, pre-qualifying for lines of liquidity support could overcome stigma concerns regarding the use of precautionary facilities and reduce the risk of moral hazard when appropriate conditionality and other safeguards are attached.

Further, current access to IMF resources is by definition linked to actual or potential balance of payments needs in line with the IMF mandate. A new instrument to provide policy monitoring (without financing assistance) or implied balance of payment difficulties could serve to improve cooperation across the global financial safety net. This could be with other regional financing arrangements (RFAs), other international financial institutions, bilateral or private financing sources. At present, the principles for cooperation are very general and give only little indication of how the Fund should interact with other lenders.

Conclusion

The IMF’s mandate and governance continues to evolve with changes in the global economy. This Article has outlined some key IMF policy developments, indicated their implications for regional financing arrangements and central banks swap lines becoming more prominent (Chart 3). IMF funding is fragile with borrowed resources accounting for an unprecedented three quarters of the total GFSN. Globally, reserves are distributed very unevenly across and within regions. Further, the distribution of reserves does not correspond well to the distribution of risks.

Access to other liquidity providers rather than the IMF varies substantially across regions, depending chiefly on whether regional financing arrangements (RFAs) exist. In particular, many emerging market economies do not have access to an RFA. Where these do exist, many are untested and potential RFA-IMF coordination could lead to inefficiencies, given sometimes diverging objectives and operational decision-making structures. Taking the ESM as a direct funding model for the IMF, Shafik (2015) suggests it should be possible for the IMF to borrow directly from capital markets during a crisis. This could provide less-precarious funding for the IMF, allow more flexibility regarding its forward lending capacity, and because risks would be pooled at the global level, would be attractive for capital market investors.

21 The ESM is the RFA for the euro area. Underpinned by sovereign balance sheets, national governments provide the full amount of funds or provide capital which is levered by the ESM through private sector borrowing. Other than the ESM, the other main RFAs are the Chiang Mai Initiative Multilateralisation (CMIIM) and the BRICs Contingent Reserve Arrangement (CRA). The latter two are built on a multilateral network of central bank swap lines, typically using members’ foreign exchange reserves.


23 These would be different from central bank swap lines which are a monetary policy tool.
the central role of the IMF in the international financial architecture hand highlighted the implications for Ireland as a member of the IMF. Despite the 14th Review quota increases, the Fund remains highly dependent on temporary borrowing arrangements. The size of the Fund determines its pivotal role in the Global Financial Safety Net and enhancing global economic cooperation as per its mandate. Ongoing analysis and proposals to consider further enhancements to the Funds lending toolkit seek to address gaps in the global financial safety net and help countries adjust to a more interconnected global economy. A broader role for the SDR is also contributing to the functioning of the international monetary system.

Work on the 15th Review has been delayed, pending the full implementation of the 2010 reforms. The next General Review will allow the IMF to assess the adequacy of quotas in terms of members’ balance of payments financing needs and in terms of its own ability to meet those needs. Importantly, a 15th General Review will allow for changes in members’ quotas to reflect changes in their relative positions in the world economy. To do this, the quota formula needs to continue ensure a dynamic process of adjusting quota shares to reflect shifts in the global economy to further redistribute IMF voting power towards open, dynamic economies.

As shown during the 14th General Review, permanent quota-based IMF resources take time to mobilise since comprehensive negotiations and, in many cases, country-level parliamentary approval are required. It remains to be seen how quickly the 15th Review will proceed right on the heels of the implementation of the 14th Review.
References


EFSF 2013a. Amendment agreement relating to the loan facility agreement, first financial assistance facility agreement, second financial assistance facility agreement, and master financial assistance facility agreement between European Financial Stability Facility, and Ireland and Central Bank of Ireland. Dublin, Luxembourg: EFSF.

EFSF 2013b. Amendment agreement relating to the loan facility agreement, financial assistance facility agreement, and master financial assistance facility agreement between European Financial Stability Facility, and The Portuguese Republic and Banco de Portugal. Lisbon, Luxembourg: EFSF.


