

Reforming the International Organizations



ICRIER G20 Conference
New Delhi – August 22, 2014

Thomas Richardson
IMF Senior Resident Representative



Who are the IMF?

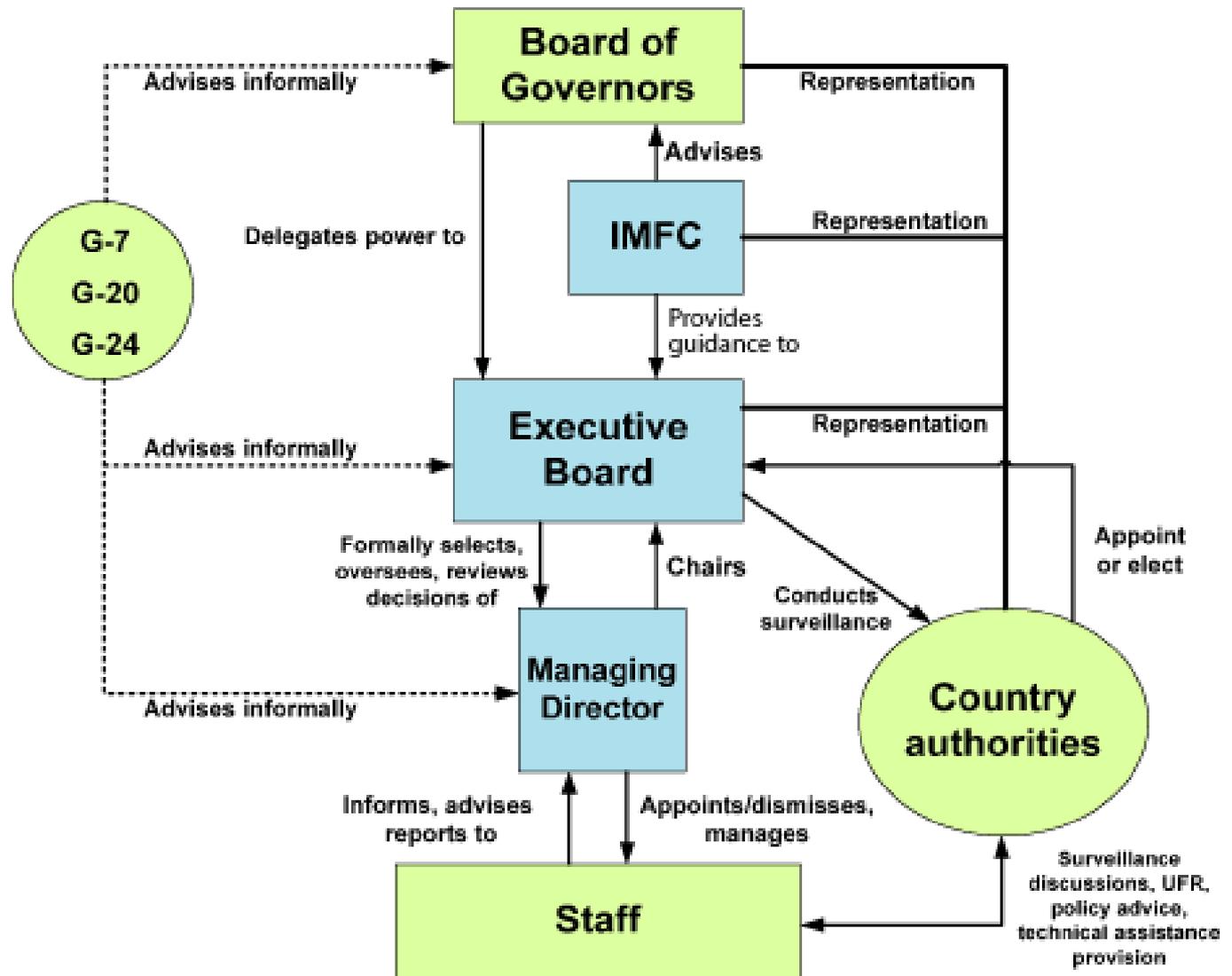
188 members – almost universal



2500 staff
from 160 countries

188 countries represented
Non-members include: Cuba, North Korea, Andorra,
Monaco, Nauru, Liechtenstein

Stylized view of IMF governance



Source: Martinez-Diaz, 2008.

*How
is
the
IMF
run?*

IMF Executive Board



Voting power (and borrowing capacity) is governed by quota share

24 members – meets three times a week

Current IMF Quota Share Formula:

$$\text{CQS} = (0.5*Y + 0.3*O + 0.15*V + 0.05*R)^k$$

Where CQS = calculated quota share, and

Y = a blend of GDP converted at market rates and PPP exchange rates averaged over a three year period. The weights of market-based and PPP GDP are 0.60 and 0.40, respectively;

O = the annual average of the sum of current payments and current receipts (goods, services, income, and transfers) for a five year period;

V = variability of current receipts and net capital flows (measured as a standard deviation from the centered three-year trend over a thirteen year period);

R = twelve month average over a year of official reserves (foreign exchange, SDR holdings, reserve position in the Fund, and monetary gold); and

k = a compression factor of 0.95. The compression factor is applied to the uncompressed calculated quota shares which are then rescaled to sum to 100.

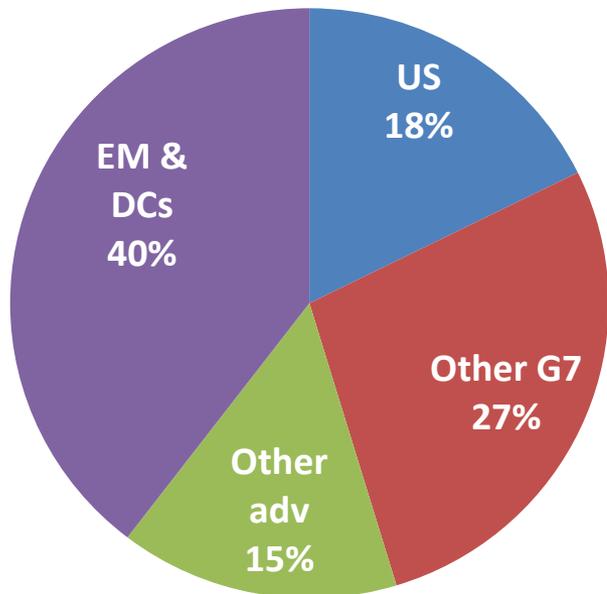
14th General Review of Quotas (December 2010)

- Doubles quotas to SDR 477b (\$729b)
 - Done in light of financial crisis, to enable IMF to address financing needs of larger countries with BoP financing needs
- Shifts almost 3% of voting power from advanced economies (AEs) to emerging markets and developing countries (EMDCs)
 - Moreover, shifts 6% of quota to underrepresented EMDCs
 - Aims to protect quota share of poorest (African) members
- Reforms composition and operation of IMF Executive Board
 - Number of seats remains 24, but Europe give up two seats in favor of EMDCs
 - African constituencies gain extra staff in Executive Board offices

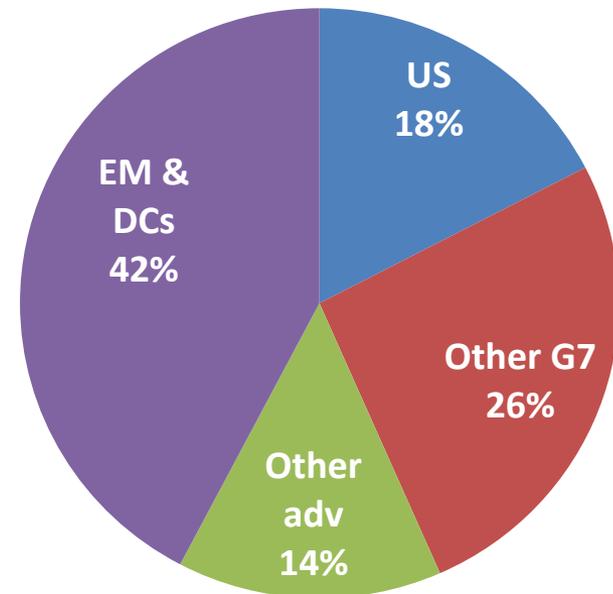
Emerging Markets & Developing Countries gain 2.8%

(Underrepresented EMDCs gain 6%)

Current Quota Shares



Proposed Quota Shares



Current and Proposed Quota Shares: *selected countries*

	Current	Proposed			Current	Proposed	
United States	17.69%	17.40%	↓	Norway	0.79%	0.79%	
Japan	6.56%	6.46%	↓	South Africa	0.78%	0.64%	↓
Germany	6.12%	5.58%	↓	Malaysia	0.74%	0.76%	↑
United Kingdom	4.51%	4.23%	↓	Nigeria	0.74%	0.52%	↓
France	4.51%	4.23%	↓	Turkey	0.61%	0.98%	↑
China	4.00%	6.39%	↑	Singapore	0.59%	0.82%	↑
Saudi Arabia	2.93%	2.10%	↓	Philippines	0.43%	0.43%	
Russian Fed.	2.50%	2.71%	↑	Pakistan	0.43%	0.43%	
India	2.44%	2.75%	↑	New Zealand	0.38%	0.26%	↓
Netherlands	2.17%	1.83%	↓	Serbia	0.20%	0.14%	↓
Brazil	1.79%	2.32%	↑	Slovak Rep.	0.18%	0.21%	↑
Mexico	1.52%	1.87%	↑	Sri Lanka	0.17%	0.12%	↓
Korea	1.41%	1.80%	↑	Uganda	0.08%	0.08%	
Australia	1.36%	1.38%	↑	Nepal	0.03%	0.03%	
Indonesia	0.87%	0.97%	↑	Bhutan	0.003%	0.003%	

What is holding things up?
(Hint: it's one big country)

Strengthening the IMF



Complete 2010 reforms; 15th Quota Review



Board Reform Acceptance

World map resized by quota share

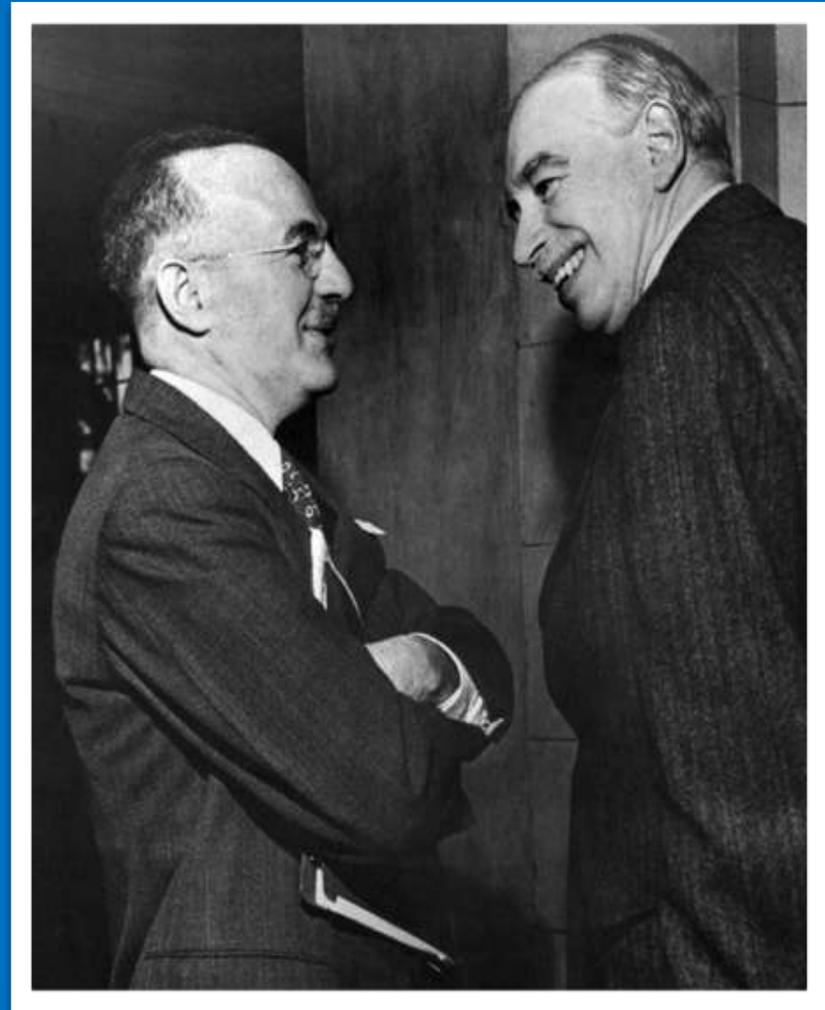
■ Yes ■ Not Yet

Support completion of reforms



To be effective, countries with at least 85% of current quota need to approve 14th quota review

- Also need 70% of number of members – easily satisfied as 113 have approved the review
- However, US holds 17.6% of quota
 - Obama Administration has put it forward, but Congress has not yet acted
- 15th General Review of Quotas is due by January 2015



Does the delay in passing the 14th Quota Reform mean the IMF is too small to handle financial crises?

- No.
- In the interim, until the 14th Review is approved, IMF has made use of New Arrangements to Borrow (NAB)
 - In 2010, NAB was expanded to allow IMF to borrow additional resources to bolster international firewall against global crisis
 - NAB arrangements now in place equal to \$436b, from 33 countries, *including India*
 - Once 14th quota review is completed, NAB will be rolled back

Is the IMF threatened by the BRICS Contingent Reserve Arrangement (CRA)?

- No. We welcome all initiatives to strengthen the network of multilateral lending institutions and increase the available financing for development and infrastructure.
- We have a strong relationship with the BRICS. Their role in the IMF will continue to grow with their relative positions in the world economy, and will be enhanced upon completion of the pending quota and governance reforms of the Fund, which we hope will be achieved in the near future.
- The IMF MD has congratulated the BRICS countries, especially for establishing the CRA, and expressed readiness to work with the BRICS with a view to reinforcing cooperation among all parts of the international safety net intended to preserve financial stability.

Thank you



Want to know more?

www.imf.org/weo: on global outlook

www.imf.org/asia: on our work in Asia

www.imf.org/india: what we do in India

www.imf.org/external/about/govern.htm: on IMF governance

Follow on twitter: @IMF_India