



DEVELOPMENT COMMITTEE  
(Joint Ministerial Committee  
of the  
Boards of Governors of the Bank and the Fund  
On the  
Transfer of Real Resources to Developing Countries)



**DC2005-0007**  
April 13, 2005

**VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION COUNTRIES**

Background Note by IMF Staff

Attached for the April 17, 2005, Development Committee Meeting is a background note by IMF staff on the Status of IMF Discussions on Quotas, Voice, and Participation. This note will be considered under Item III of the Provisional Agenda.

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INTERNATIONAL MONETARY FUND

**Status of IMF Discussions on Quotas, Voice, and Participation**

**Background Note by Fund Staff to the Development Committee**

April 13, 2005

1. The IMF Executive Board has been pursuing avenues to enhance the voice and participation of developing and transition countries in the Fund's governing bodies on two different, but complementary tracks: issues related to the distribution of quotas and voting power, which are being considered as part of the work program on IMF quotas; and measures to enhance the administrative capacity of the offices of Executive Directors representing these countries. In concluding the Twelfth General Review of Quotas in January 2003, the Board of Governors of the IMF noted the report by the Executive Board that the IMF's liquidity position remained adequate by historical standards, and did not propose an increase in IMF quotas. The Board of Governors of the IMF also noted the Executive Board's intention during the period of the Thirteenth General Review "to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy, and to consider measures to strengthen the governance of the Fund." In accordance with the Fund's Articles, the Thirteenth General Review will need to be concluded by January 2008.

2. On July 31, 2003, the IMF Executive Board considered issues related to the distribution of IMF quotas—including quota formulas—and IMF voting power. Most Directors saw considerable merit in a package that would benefit the membership as a whole. Specifically, such a package would involve a general quota increase with a relatively large selective element allocated by means of a new quota formula; ad hoc quota increases aimed at addressing the clearest cases of out-of-lineness; and an increase in basic votes specifically aimed at correcting the erosion of the voting power of the smallest members. It was noted, however, that an increase in basic votes would require an amendment of the Articles of Agreement. Based on regular monitoring of the adequacy of Fund resources, most Directors have also continued to be of the view that there is currently no need for a quota increase. Updated illustrative quota calculations were provided to the Board in August 2004.

3. The IMF Executive Board has taken a number of actions in recent years to enhance the administrative and technical capacity of the offices of Executive Directors from developing and transition countries to participate fully and effectively in the Fund's decision-making process. In April 2003 the Executive Board decided to allow the Executive Directors with the largest constituencies—i.e. the Executive Directors from sub-Saharan Africa—to add three persons to staff in their offices.

4. A status report by the IMF's Executive Board on Quotas, Voice, and Representation was provided to the IMFC for its October 2, 2004 meeting. In taking note of the report, the IMFC encouraged the Board "to consider further issues of voice, quotas, and participation, noting as the Board agreed, that progress will require broad consensus among the shareholders." (IMFC communiqué, October 2, 2004).

5. During their discussion of the Fund's medium-term strategy on March 28, 2005 Directors reconfirmed the importance of adequate voice and participation by all members, and a distribution of quotas that reflects developments in the world economy, to enhance the IMF's perceived legitimacy and effectiveness. Directors agreed that voice and participation issues should remain a key element of the strategy going forward, and that the period of the Thirteenth General Review of Quotas provides an important opportunity to make progress on these issues. Given the different positions and perceptions of members in this area, Directors agreed with the view that the Fund's membership must consider closely and in a cooperative manner how best to take these issues forward. Many Directors suggested that this also include exploring prospects for pursuing various suggestions that would facilitate progress even in the absence of a general increase in Fund quotas.