



BROOKINGS-CIGI-G24 HIGH LEVEL SEMINAR

DELIVERING ON IMF QUOTA REFORM

30 August 2012

09:00a.m. – 11:30a.m.

Issues for Discussion

Given the importance of completing the review of the quota formula by January 2013, but the still divergent views on the changes that need to be made to obtain a more robust formula, the seminar provides a timely opportunity to foster an exchange between leading experts and officials who are at the center of the discussions.

The seminar will take up the following issues:

1. *What are the most important shortcomings of the formula that need to be addressed?*

Although the present formula is a significant improvement from the previous five formulae used prior to 2008, there is a widespread view that it still suffers from major deficiencies. Some variables (especially openness and variability) are seen as insufficiently robust resulting in a formula that does not reflect members' relative positions in the world economy and is biased against emerging market and developing countries, especially the poor.

2. *Do the goals and principles that have guided reform since 2008 remain valid? Are ad-hoc adjustments to the formula inconsistent with these principles?*

The 2008 reform stressed that the formula should be simple and transparent, consistent with the multiple roles of quotas (voice and governance being the most prominent), produce results that are broadly acceptable to the membership and be feasible to implement based on timely, high quality and widely available data.

3. *Should GDP be the principal variable in the quota formula?*

GDP is the most comprehensive and robust measure of economic weight in the global economy. Given the goal of reflecting members' relative economic positions in the global economy, should the weight of GDP in the quota formula be significantly increased? What should be the weight of GDP PPP relative to market GDP? Should the practice of using lagged data for GDP be adjusted given the rapid changes underway in the global economy?

4. *Should integration into the world economy be an additional consideration and how can the deficiencies with the current measure of openness be addressed?*

Openness plays a very prominent role in the current quota formula, and addressing the conceptual and statistical issues related to it is the most important and contentious challenge in reforming the quota formula. The present measure focuses on trade integration, which is not a primary mandate of the IMF. Due to a reliance on gross flows and the differences in regional integration, the measure is subject to extreme values and is systematically biased against larger countries and towards Europe. What are possible options in addressing these inherent shortcomings? Should financial openness be included in the formula given the conceptual and statistical challenges?

5. *Can the measure of variability be improved to better reflect members' potential needs for Fund resources?*

The present measure of variability does not capture members' potential needs and is highly correlated with openness. Is it possible to construct an alternative measure to better capture potential needs? What other means could be considered to deal with access norms for poor and small vulnerable economies?

6. *How should the voice and interests of the poor and smallest members be taken into account in the quota formula?*

There has been a long standing commitment to protect the voice and representation of poor countries, and a recognition that the smallest members need to have adequate voice. How can this commitment be reflected in the quota formula? Is compression an appropriate or effective means? What other options should be considered?

7. *What other considerations should be taken into account?*

Is there a case to retain reserves in the quota formula and/or to take into account members' financial contributions given that the IMF is principally a quota-based institution? How should some members' global and regional systemic role be taken into account if not well captured by GDP?