The 16th IMF quota review

Opportunities for greater representation of the global South in international economic decision-making

1. What is the IMF and why does it matter?

The IMF is an intergovernmental organisation made up of 190 member countries, tasked with maintaining global economic growth and stability. The IMF has a unique role in the global economic system and with about $1 trillion in lending firepower, is one of the most powerful influencers, norm-setters and lenders amongst international finance institutions.

2. What is the quota system?

The IMF is a quota-based institution. A quota is effectively a number that is assigned to countries when they join the IMF. A quota decides 3 things:

- How much money countries put into the IMF
- How much money countries can get from the IMF (through lending and SDR allocations)
- How much voting power countries get on the board of the IMF

3. What is the quota formula?

A country's quota is guided by a mathematical formula, called the quota formula. The current quota formula uses four variables: GDP, Openness (focused on imports), Variability (focused on exports), and Reserves.

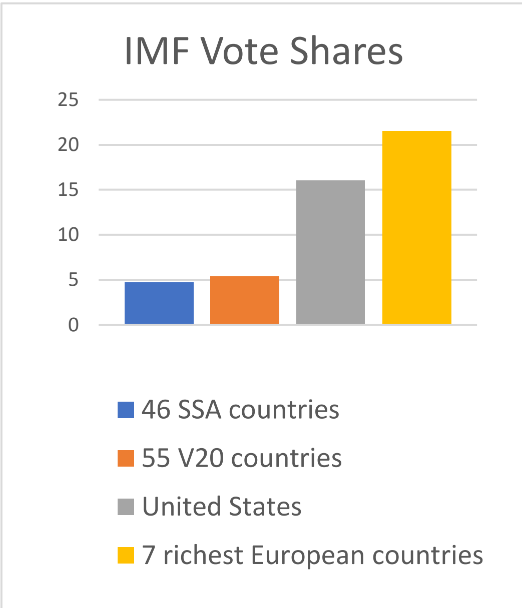
4. What is wrong with this system?

"*By its very design, the post-war global financial architecture has always been ill-equipped to address the multiplicity of global challenges and certainly does not reflect the global economic and geopolitical diversity and complexity and has the least regard for the global South*."

William Ruto, President of Kenya

The IMF's quota system has maintained a structural under-representation of the global South in economic decision-making, maintaining unfair global power relations rooted in colonial legacies. It undermines the ability of Southern governments to chart their own development course and make economic decisions in the interests of their people, while unfairly keeping powerful countries in the driver's seat.

Under the current distribution of voting rights, the US holds 16.5% of the entire vote share on the IMF board, meaning it can effectively veto the most important decisions by itself. The seven largest European countries and former colonial powers (Germany, UK, France, Italy, Spain, Netherlands, Belgium) account for 21.5% of the vote share. In practice however, these countries control an even larger share of the vote, because the executive board members of four of them (Italy, Spain, Netherlands and Belgium) represent a large number of other countries. The block of all countries represented by the US and European countries on the executive board together controls 53% of the vote.



In contrast, sub-Saharan Africa holds only 4.7% of the total vote share. The V20, the group of 55 countries that are most threatened by climate change and represent 1.4 billion people, collectively hold just 5.4% of the vote share. While a number of global North countries like the United Kingdom, France, Germany and the US are represented by their own dedicated executive board member, all of sub-Saharan Africa's 46 countries are represented by just two executive board members.

5. The 16th IMF quota review

In 2020, after the US unilaterally blocked the 15th IMF review of quotas, the IMF board of governors agreed to complete the 16th review of quotas by December 2023, including a new quota formula.

This would be the first time in 15 years the IMF quota formula itself is adjusted. If vote shares were adjusted to reflect today's global economy using the current quota formula, the US would lose its veto in IMF decision-making. The 16th review is therefore an important opportunity to enhance the representation of the global South in global economic decision-making.

We call for the 16th IMF quota review to result in a significant increase in the vote share of the global South in general, and specifically for it to go beyond protecting the votes of the poorest and most vulnerable to enhance the vote shares of low-income countries, Sub-Saharan Africa, and countries most threatened by climate change as groups that have been structurally under-represented in IMF decision-making.

6. Pathways for vote redistribution

While there are many different ways to achieve this result, we recommend the IMF board of governors considers the following:

1) Fulfil the commitment to review the formula itself, and in doing so, consider increasing the weighting of the GDP PPP variable, reduce the weight of the 'openness' and 'reserves' variable, and include a new category that captures 'vulnerability', which would help address unfair biases against the global South.

2) Increase the number of basic votes to restore the principle of sovereign equality of states in IMF decision-making and consider following the model of the Asian Development Bank, which mandates basic votes make up 20% of all votes.

3) Allocate increases in quotas using the 'selective' method in first instance, complemented by 'ad hoc' increases to enhance the vote shares of the poorest and most marginalised. Avoid allocating new quotas equiproportionally, as this does nothing to address representation.

4) Adjust the seats and constituencies on the IMF executive board to enhance the representation of the global South. This includes finally listening to the repeated calls of the G24 to create a third chair for Sub-Saharan Africa, and fully completing the 2010 commitments to consolidate two European board chairs.

5) Other proposals for redistributing votes that have been put forward to strengthen the voice of the global South include introducing population as a variable in the formula, using double-majority voting that would require a majority of countries and of weighted votes to approve decisions, and introducing historic carbon emissions as a variable in the quota formula.

7. The bigger picture

Ultimately, the outcomes of the 16th IMF quota review are expected to fall significantly short of moving us closer to a democratic, decolonized global architecture in which economic decision-making is shaped by the voices of marginalised communities.

The Fourth International Conference on Financing for Development in 2025 is the only intergovernmental mechanism with the mandate to take decisions about systemic development finance issues, including global architecture reform, where global South countries have an equal vote – and thus where truly transformative decisions can be made. Governments should start preparing for FfD4 now and Christian Aid, along with our partners, will be there to hold them accountable for listening to marginalised communities and delivering economic and climate justice.