Quotas and Voice—A Possible Package of Reforms, and the Chairman's Concluding Remarks, August 4, 2006

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INTERNATIONAL MONETARY FUND

Quotas and Voice—A Possible Package of Reforms

Prepared by the Quotas and Voice Working Group[1]

August 4, 2006

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[1] Messrs. Burton (chair), Ahmed, Anjaria, Hagan, Kuhn, and Kincaid; Mr. Tweedie has worked closely with the group.

Annex

I. INTRODUCTION

1. **On July 5, the Executive Board had an informal discussion of reforms of quotas and voice as part of the process of formulating reform proposals for the Annual Meetings in Singapore.**[2] That discussion confirmed the importance attached by the membership to reaching agreement on a package of quota and voice reforms in Singapore for the Fund's continued credibility and effectiveness. The discussion also revealed broad support for a reform package along the lines suggested in the staff paper.[3] The support for quota and voice reform across a broad spectrum of the membership indicates that these reforms are not seen as a zero sum game, but rather as change that will strengthen the Fund and from which all members will benefit.

2. **This paper sets out a more specific proposal for a package that might be agreed in Singapore.** It builds on the approach outlined in the previous paper, taking into account the views expressed by Directors at the July 5 Board seminar. While the proposal is now more specific, in several areas the paper still presents options for further consideration by Directors prior to Singapore. The central objectives of this two-year package are: (i) to make significant progress in realigning quota shares with economic weight in the global economy, and to make quota and voting shares in the Fund more responsive to changes in global economic realities in the future; and (ii) to enhance the participation and voice for low-income countries, whose weight in the global economy may be small, but for which the Fund plays an important advisory and financing role.

3. **The proposals in the paper envisage changes that are measured and respectful of all members, as stressed by the Managing Director.** Of necessity, the proposed steps are unlikely to reflect the preferred approach for individual members. Rather, all members will need to make compromises in agreeing on a package for the good of the Fund and the international financial system, and from which all will ultimately benefit.

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[2] The April 2006 Communiqué called on the Managing Director, working with the IMFC and the Executive Board, to come forward with concrete proposals for agreement at the Annual Meetings in Singapore.

[3] See *Quotas and Voice—Further Thoughts on Approaches to Reform* (2006). The seminar on July 5, 2006 followed earlier Executive Board discussion of these issues in the context of discussion of the medium-term strategy, most recently in April 2006. Discussion has also been taking place in fora outside the Fund, including the G-24, the G-20, the European Sub-Committee on IMF and Related Issues, and the Ad Hoc Group of the African caucus of Finance Ministers.

II. REALIGNING QUOTAS

4. A series of measures for realigning quotas with economic weight is envisaged as part of the package.

A. Initial Ad Hoc Increases

5. **The first step in the process of realignment would be ad hoc increases for a small group of underrepresented countries.** This step should be viewed as a downpayment on the reform program designed to address partially the most clear-cut cases of underrepresentation, and to demonstrate concrete progress on reform in Singapore.

(i) Country coverage

6. **It is proposed that the coverage of the initial ad hoc increases be limited to four countries (China, Korea, Mexico, and Turkey)**. These are the only countries that are both substantially underrepresented on the basis of the existing quota formulas, and are also underrepresented based on all four variables (GDP, openness, variability, and reserves) broadly considered by the Board as appropriate for inclusion in a new quota formula (Table 1). These four are also the only countries that are underrepresented based on each of the five variables used in the existing quota formulas. This approach would ensure that countries included in the first stage meet a robust standard of underrepresentation, while not prejudging the outcome of the discussions in the second round on a new quota formula.[4]

(ii) Size and Allocation of Initial Ad Hoc Increases

7. **The aggregate size of the initial ad hoc increases should be modest,** given the limited country coverage, and the need to preserve incentives for more fundamental reform. At the same time, it is important that the individual increases be large enough to allow for a meaningful reduction in underrepresentedness for the eligible members, while avoiding the risk of creating new anomalies pending agreement on a new quota formula. Tables 2 and 3 illustrate three possible scenarios based on overall ad hoc increases of 1.5, 2.0, and 2.5 percent of total quotas, respectively; the group feels that aggregate increases somewhere in this range would strike a reasonable balance between these various considerations. It should also be noted that even the largest of the three scenarios implies only a modest quota share reduction for members not receiving an ad hoc increase. This is appropriate given that the excluded countries will include members that turn out to be significantly underrepresented once a new quota formula is agreed.

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[4] As explained in the revision to *Quotas—Updated Calculations* (2006), which is being issued concurrently, the data base on updated quota calculations has been revised. The eligibility list for initial ad hoc quota increases under the criteria proposed here is not affected by this change (all four countries are underrrepresented by at least 50 percent using the existing formulas and are also underrepresented based on the four individual quota variables).

8. **The method of allocating increases across the eligible members should be simple and transparent.** It would seem appropriate to link the distribution to the degree of underrepresentation among the eligible members. A possible approach along these lines is to base the distribution on achieving a uniform proportional reduction in the gap between calculated and actual quota shares, using the existing quota formulas (Table 2). This would imply larger percentage quota increases for those members who are relatively more underrepresented. For example, with an overall amount available of 1.5 percent, it would be possible to achieve a significant reduction in underrepresentedness for the above four members, amounting to about 28 percent of the current difference between their calculated and actual quota shares. This would also provide meaningful quota increases for all four members, ranging from 18 percent for Mexico to 67 percent for Korea. A larger overall increase of 2 percent would allow a 37 percent reduction in underrepresentedness for these members, with increases ranging from almost 25 percent for Mexico to almost 90 percent for Korea; while a 2.5 percent increase would reduce the degree of underrepresentedness for these members by close to one half.

9. **The potential impact of these scenarios in terms of underrepresentation vis-à-vis the four individual quota variables is illustrated in Table 4.** Under all of the scenarios, the four eligible members remain underrepresented based on GDP and the other individual variables (except variability in the case of China). Thus, quota increases in this range would seem robust against the risk of creating new anomalies for the future.

B. New Quota Formula

10. **Agreement on a new quota formula is seen as a key element of the second stage, providing the basis for a further rebalancing of quotas as part of the overall reform package.** There is broad agreement that a new formula should be simpler and more transparent than the existing formulas. The new formula would also need to capture appropriately weight in the global economy. While it is important not to prejudge the outcome of the discussions on a new formula at this point, there would seem to be quite wide support for including a significantly higher weight for GDP in a new formula. At the same time, other variables will also likely continue to play a significant role. Given the complexity of the issues involved, it will be important to start discussion on a new quota formula soon, and a decision to carry out the necessary work within two years should be taken in Singapore.

C. Second Round of Ad Hoc Increases

11. **As soon as a new quota formula has been agreed, a second round of ad hoc quota increases based on the new formula could achieve a significant further rebalancing of quota shares in the near term.** This further rebalancing as part of the two-year program would be important for strengthening the Fund's credibility, and is seen as a key part of the reform package. A broader range of countries could be included in this second round, since coverage should be easier to agree once a new quota formula is in place. In order to achieve a meaningful further rebalancing for this wider group, a significantly larger total amount would need to be provided for ad hoc increases in the second round. As discussed below,

however, this issue is linked with the size of the increase in basic votes that may be agreed, as the latter would play an important role in preserving the voting share of smaller low-income countries that do not benefit from the ad hoc increases. Given these inter-linkages, the aggregate size of the second round ad hoc increases as well as their country composition (which will of course depend on the new quota formula) would only be decided as part of the second stage. The Managing Director has indicated that he intends to ask large advanced economies that already have sizable voting power in the Fund and that prove to be eligible for ad hoc increases in the second round to forgo, or at least limit, the increases that they request. This would augment the quota increases available for other underrepresented members.

D. Achieving Further Quota Rebalancing

12. **Looking beyond the second round of ad hoc increases, it will be important to ensure that quota shares continue to evolve in line with changes in members' global economic weight.** Past general quota increases have been distributed mainly in proportion to existing quota shares, with a smaller amount allocated to achieve changes in quota share, for example in the direction implied by members' relative economic weight as reflected in their calculated quota shares (an exception was the Eighth Review, where the selective element was 60 percent of the total increase). As a result, changes in the distribution of quotas have not kept pace with global economic developments.

13. **It is proposed that the Board of Governors adopt a resolution confirming that, in the context of future general reviews of quotas, the Fund will seek to further realign quotas with economic weight,** while continuing to ensure that the maintenance of the Fund's liquidity (the traditional objective of general reviews of quotas) will not be compromised. Such a resolution would serve to send a strong signal of intent on the part of the membership. Consideration could subsequently be given as part of the reform program to amending the Articles so as to clearly specify this objective in the Articles themselves.

III. Voice and Participation for Low-Income Countries

14. **Ensuring adequate voice for low-income countries will need to be a central element of the package, as emphasized at the outset.** A key mechanism for achieving this goal is through an increase in basic votes. In addition, steps can be considered to strengthen the capacity of the two African chairs, which face particular challenges given their large constituencies and the intensive nature of the relationship of many of their countries with the Fund.

A. Basic Votes

15. **An increase in basic votes, which reflect the principle of equality of states, is the appropriate mechanism to give the smallest members of the Fund a greater voice in the**

Fund's deliberations.[5] This would require an amendment to the Articles of Agreement. While the precise size of the increase in basic votes could probably only be determined concurrently with the second round of ad hoc increases to ensure that voting shares of low-income members are not eroded, the agreement on the principle of an increase in basic votes can be taken in Singapore. It is envisaged that the increase would involve at least a doubling of basic votes.

16. **A doubling of basic votes would allow total ad hoc increases (first and second round) of more than 8 ½ percent of current quotas without eroding the voting shares of low-income countries.** The general relationship between the increase in basic votes and size of ad hoc increases that does not erode low-income country voting shares is shown in Chart 1, with higher increases in basic votes allowing larger total ad hoc increases while preserving low-income country voting share.

17. **It is also proposed that an amendment on basic votes include a mechanism for safeguarding the proportion of basic votes in total voting power to prevent future erosion of the voting share of low-income members.** Including a mechanism to maintain a desired ratio between basic votes to total voting power as quotas increase would also avoid the need for further amendments of the Articles each time quotas are increased. An example of such a mechanism is the voting allocation of the Asian Development Bank, which since its formation in 1966, has maintained a constant ratio of basic votes to overall votes.[6]

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[5] Voting power in the Fund is based on two components: quotas and basic votes, the amount of the latter being specified in the Articles of Agreement themselves (250 basic votes for each member). The two components serve different objectives. With respect to quotas, since they determine both the amount of the financial contribution to be made to the Fund and the member's access to (and, therefore, need for) Fund financing, the economic weight of the member has been of central relevance. In contrast, basic votes are designed to give effect to the principle of equality of states. Since the inception of the Fund, the proportion of basic votes to overall votes has declined progressively from 11 percent to just over 2 percent, eroding the voice of the smallest members of the Fund, many of which are low-income members, and altering the original balance between the voting power derived from quotas, which reflects economic and financial factors, and basic votes, which reflect the principle of equality of states.

[6] Article 33 of the Agreement Establishing the Asian Development Bank (the "Agreement") states "[t]he total voting power of each member shall consist of the sum of its basic votes and proportional votes" and "[t]he basic votes of each member shall consist of such number of votes as results from the equal distribution among all the members of twenty (20) per cent of the aggregate sum of the basic votes and proportional votes of all the members." The number of proportional votes of each member is equal to the number of shares of the capital stock of the Asian Development Bank held by that member. As a result of this provision, the proportion of basic votes to the aggregate of all votes (which is specified at 20 percent) is maintained by operation of Article 33, without the need for additional action by the ADB's Board of Governors. Specifically, the allocation of basic votes in the ADB is automatically modified so as to maintain the specified ratio whenever there is a change in the aggregate capital stock of the ADB arising from (a) general reviews which take place no less than every five years (such a review may result in a "general capital increase"); (b) a request by a member for an increase in its subscription (i.e., a "special capital increase"); or (c) the admission or withdrawal of a member (Articles 3, 5, and 41 of the Agreement). The formula effectively is a partial anti-dilution mechanism that strikes a balance between the principles of proportionality, whereby votes are allocated in relation to the subscribed capital, and the desirability of providing some measure of equality in voting among all members, irrespective of their size or economic weight.

B. Additional Resources for African Chairs

18. **The offices of the two African Executive Directors face special challenges.** This reflects both the large size of their constituencies and the heavy workload that flows from the important advisory and financing role that the Fund is playing in many of their member countries. While, as noted below, support does not exist for changes to the size and composition of the Board at present, further steps to strengthen the capacity of African offices could be taken and are warranted.[7]

19. **An immediate step could involve an increase in the staffing entitlement for Senior Advisors appointed by the two African Executive Directors.** Such a decision could be taken expeditiously, following the Singapore Annual Meetings, based on a specific proposal by the Board's Committee on Administrative Matters. This could significantly enhance the capacity of the two African chairs at senior levels.

20. **A further possibility would be to increase the number of Alternate Executive Directors as part of the two-year package of reforms.** Pursuing this option would necessitate amendments to Article XII, Sections 3 (e) and 3 (f) (see Annex). Such an amendment could provide that Executive Directors elected by more than a certain threshold of members would have the right to appoint more than one Alternate in order to facilitate the work of their offices. (The amendment would give the Board of Governors the authority to determine this threshold and other modalities, in light of changing circumstances.) This could further enhance the capacity of African offices, and would signal the importance the membership attaches to low-income members' effective participation in the governance of the Fund.

C. Dialogue Between Management and African Ministers

21. **Management intends to further intensify its dialogue with African Ministers.** As noted in *Quotas and Voice—Further Thoughts on Approaches to Reform* (2006), management has been intensifying contacts with leaders in Africa in different fora as a means for consulting them on issues confronting the Fund. This dialogue has taken place through meetings between management and African governors at the Annual and Spring Meetings, as well as through frequent visits to Africa. Building on these contacts, management is discussing with African Governors the establishment of an African Consultative Group. This group, which would comprise Fund management, Executive Directors representing Africa, and African Governors, would provide a formal channel through which issues of concern to Africa could be raised and recommendations made to management.

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[7] In April 2003, their staffing entitlement was increased from four to five Senior Advisors and providing for two additional advisor positions.

IV. OTHER ISSUES

A. Size and Composition of the Board

22. **While the size and composition of the Executive Board are important elements of the Fund's governance structure, it is not suggested that proposals in this area be put forward in Singapore.** As noted in *Quotas and Voice—Further Thoughts on Approaches to Reform* (2006), this issue is closely linked with the evolution of voting shares, and it would therefore be premature to make proposals ahead of progress in realigning quotas and increasing basic votes. The question of the size and composition of the Board will therefore need to be on a slower track than the other elements of the two-year program of action. In this connection, it should be noted that this issue is raised automatically every two years with the regular election of Executive Directors.

B. Selection of the Managing Director

23. **There is considerable agreement on the importance of ensuring that procedures for the selection of the Managing Director are open and transparent,** as called for in the Managing Director's April 2006 report on implementing the medium-term strategy. The Boards of the Fund and the World Bank discussed in parallel selection procedures for the Managing Director and the President in 2000–2001.[8] It is proposed that the Executive Board

[8] Article XII, Section 4(a) of the Fund's Articles of Agreement provides in part that "[the] Executive Board shall select the Managing Director who shall not be a Governor or Executive Director." While the selection can be made by a majority of the votes cast, the selection of the Managing Director has been made by consensus, after broad informal consultations among the Fund's Governors, officials of member countries and Executive Directors. Following the Managing Director's selection in 2000, the Executive Board established a Working Group to review the Fund's experience with the process. A similar Working Group was established by the World Bank's Executive Board to review the selection of the World Bank President. A draft joint report issued by these Working Groups recommended certain principles and procedures for the search and selection processes. When the Executive Board considered this report in April 2001, the Chair stated that "Executive Directors shared the importance of the objective of a more transparent process and endorsed the Report as guidance for future selection." The Chair's summing-up also specified that the "endorsement does not constitute a formal decision of the Executive Board adopting the specific recommendations in the Report." The IMFC took note of the Working Groups' report in its April 2001 communiqué. With respect to the election that took place in 2004, there was an initial nomination of three candidates. The Dean of the Executive Board, after seeking support from other Executive Directors, sought to ascertain the willingness of the nominees to be candidates and to circulate, for information of Executive Directors, relevant background information provided by candidates. Thereafter, two more candidates were nominated; one by a member country's authorities and the other by an alternate Executive Director on behalf of a group of member countries. The Dean circulated to Executive Directors background information on these two nominees and confirmations of their willingness to be considered for the post. Prior to an informal Executive Board meeting to discuss the selection of the new Managing Director on April 27, 2004, three of the five nominees withdrew their names from further consideration. Following the informal Executive Board meeting, the Board invited the remaining two candidates to meet with Executive Directors. Thereafter, the current Managing Director was selected on May 4, 2004 in a two-stage process. In the first stage, an informal confidential straw poll of Executive Directors produced a majority in favor of the current Managing Director. The Executive Board then proceeded to formally select the current Managing Director by consensus.

consider whether further steps are needed to ensure a fully transparent process for the selection of the Managing Director, as part of the two-year program of governance reforms.

V. TIMETABLE AND NEXT STEPS

24. **It is proposed that the package of reforms be viewed as a two-year program to be completed by the Annual Meetings in 2008.** A relatively short timetable is needed for the program to represent a credible commitment to reform and to allow broad participation in the benefits of the envisaged reforms in the near term. At the same time, the issues involved are complex and sufficient time needs to be allowed for agreement to be reached. A two-year period is ambitious but still feasible, and may represent a reasonable compromise between these two conflicting requirements.

25. **The objective for the Singapore Annual Meetings,** the start of this two-year program, would be to reach final agreement on the composition and size of the first round ad hoc quota increases, and to agree on those additional elements of the reform package to be taken up over the subsequent two years. **To that end, it is envisaged that the Board of Governors would adopt a resolution that would include the following elements:**

A. Regarding Quota Increases

(i) Increases in the quotas of the agreed-upon group of members by a specified amount. The increase in the quotas of these members would become effective once the members in question have consented to their proposed increase and made the necessary payments in accordance with Fund policy.

(ii) A request that, by the Spring Meetings of 2008, the Executive Board completes its work on the revision of the formulas that provide an important basis for the assessment of the adequacy of members' quotas in the Fund.

(iii) A confirmation that, following the Executive Board's completion of its work regarding the revision of the quota formulas, the Board of Governors would give favorable consideration to requests made by members for an adjustment in their quotas, with a view to achieving improved alignment of their quotas with their economic weight in the world economy, taking into account the recommendations of the Executive Board.

(iv) A confirmation that, in the context of the Fourteenth General Review of Quotas and all General Reviews thereafter, the Board of Governors would consider increases in members' quotas with a view to achieving greater alignment of their quotas relative to their economic weight while also taking into consideration the need to ensure that the Fund has adequate liquidity to achieve its purposes.

B. Regarding Basic Votes, a request that the Executive Board, by the Annual Meetings in 2008, propose to the Board of Governors an amendment of the Fund's Articles of Agreement that would: (a) provide for at least a doubling of the basic votes of members; and (b) ensure that the ratio of basic votes to total voting power remains constant following the increase under (a) above.

C. With respect to additional resources for Executive Directors elected by African Members:

(i) A request that the Executive Board act expeditiously to increase the resources available to assist those Executive Directors that are elected by a large number of members and whose workload is particularly heavy given the technical and financial assistance provided by the Fund to these members.

(ii) A request that the Executive Board, after having taken the steps identified in (i) above, give consideration to the merits of an amendment of the Articles that enables each elected Executive Director to appoint more than one Alternate Executive Director in circumstances where the Executive Director concerned is elected by a large number of members.

26. **With respect to the selection of the Managing Director**, since the Managing Director is elected by—and acts under the direction of—the Executive Board, it is the Executive Board that will establish the agenda of reform in this area. It is proposed that the Executive Board consider how to respond further to calls for a transparent process for the selection of the Managing Director by the Annual Meetings of 2008.

VI. Suggested Issues for Discussion

1. Do Directors agree with the main elements of the package, as summarized in paragraphs 24 and 25, and the two year timetable proposed?

2. Do Directors agree that the first round of ad hoc quota increases should be limited to only four countries (China, Korea, Mexico, and Turkey)?

3. What total size of first round ad hoc increases do Directors consider appropriate? Do Directors agree that this increase should be allocated to individual countries on the basis of achieving a uniform proportional reduction in the difference between calculated and actual quota shares using the existing quota formulas?

4. Do Directors agree that a significant second round of ad hoc quota increases based on a new quota formula as part of the two-year package would be important for strengthening the credibility of the Fund?

5. Do Directors agree that, while the precise size of the increase in basic votes would only be decided after Singapore as part of the second stage, the objective should be to at least double them?

6. Do Directors agree that an objective should be to at least preserve the voting share of low-income countries, including by an amendment to the Articles to preserve the new level of basic votes as a share of total voting power?

7. Do Directors agree with proposals for strengthening the capacity of the offices of African Executive Directors?

Table 1. Countries Underrepresented Relative to Existing Formulas and Four Variables Relevant for Quota Calculations 1/

Country	Actual Quota (SDR million)	Actual Quota Share (in percent)	Calculated Quota Share (in percent)	Difference between Calculated and Actual Quota Share	Ratio of Calculated Share to Actual Quota Share on the Basis Shown				
					Existing Five Formulas	GDP 2/ 2002-04	Openness 2000-04	Variability 2/ 3/ 1992-2004	Reserves 2004
China	6,369.2	2.980	5.197	2.217	1.744	1.525	1.697	1.016	5.196
Korea	1,633.6	0.764	2.508	1.744	3.282	2.191	3.046	3.268	7.034
Mexico	2,585.8	1.210	1.928	0.718	1.594	1.487	1.713	1.759	1.597
Turkey	964.0	0.451	0.741	0.290	1.642	1.460	1.603	3.717	2.389

Source: Finance Department.

1/ Based on quota distribution prior to ad hoc increases.
2/ The variables shown here differ from the formulation used in the existing quota formulas.
3/ Variability of current receipts and net capital inflows, measured as a standard deviation from centered three-year trend.

Table 2. Allocation of Ad Hoc Increases For Uniform Reduction of Out-of-Lineness

Country	(1) Difference between Calculated and Actual Quota Share	(2) Actual Quota (SDR million)	(3) New Actual Quota (SDR million)	(4) New Actual Quota Share (in percent)	(5) Quota Increase (in percent)	(6) Share of Total Increase (in percent)	(7) Difference between Calculated and New Actual Quota Share	(8) Uniform Reduction Factor [(1) - (7)] / (1) (in percent)
			1.5% Overall Quota Increase					
China	2.217	6,369.2	7,817.6	3.604	22.7	45.2	1.593	28.1
Korea	1.744	1,633.6	2,722.5	1.255	66.7	34.0	1.253	28.1
Mexico	0.718	2,585.8	3,063.0	1.412	18.5	14.9	0.516	28.1
Turkey	0.290	964.0	1,155.3	0.533	19.8	6.0	0.208	28.1
			2.0% Overall Quota Increase					
China	2.217	6,369.2	8,300.4	3.808	30.3	45.2	1.389	37.3
Korea	1.744	1,633.6	3,085.4	1.415	88.9	34.0	1.093	37.3
Mexico	0.718	2,585.8	3,222.1	1.478	24.6	14.9	0.450	37.3
Turkey	0.290	964.0	1,219.1	0.559	26.5	6.0	0.182	37.3
			2.5% Overall Quota Increase					
China	2.217	6,369.2	8,783.2	4.009	37.9	45.2	1.188	46.4
Korea	1.744	1,633.6	3,448.4	1.574	111.1	34.0	0.934	46.4
Mexico	0.718	2,585.8	3,381.1	1.543	30.8	14.9	0.385	46.4
Turkey	0.290	964.0	1,282.8	0.586	33.1	6.0	0.155	46.4

Source: Finance Department.

Table 3. Quota and Voting Shares by Member
(in percent)

Member	Actual Quota Share	Voting Share 1/	1.5 percent		2.0 percent		2.5 percent	
			New Actual Quota Share	New Voting Share 1/	New Actual Quota Share	New Voting Share 1/	New Actual Quota Share	New Voting Share 1/
United States	17.382	17.027	17.125	16.781	17.041	16.701	16.958	16.621
Japan	6.229	6.109	6.137	6.021	6.107	5.992	6.077	5.963
Germany	6.087	5.970	5.997	5.883	5.967	5.855	5.938	5.827
France	5.025	4.930	4.950	4.859	4.926	4.835	4.902	4.812
United Kingdom	5.025	4.930	4.950	4.859	4.926	4.835	4.902	4.812
Italy	3.301	3.243	3.253	3.196	3.237	3.181	3.221	3.166
Saudi Arabia	3.269	3.211	3.220	3.165	3.204	3.149	3.189	3.134
China	**2.980**	**2.929**	**3.604**	**3.540**	**3.808**	**3.740**	**4.009**	**3.938**
Canada	2.980	2.929	2.936	2.886	2.922	2.873	2.907	2.859
Russia	2.782	2.735	2.741	2.695	2.727	2.682	2.714	2.669
Netherlands	2.416	2.376	2.380	2.342	2.368	2.330	2.357	2.319
Belgium	2.155	2.121	2.123	2.090	2.113	2.080	2.102	2.070
India	1.946	1.916	1.917	1.888	1.907	1.879	1.898	1.870
Switzerland	1.618	1.596	1.594	1.573	1.587	1.565	1.579	1.557
Australia	1.514	1.494	1.492	1.472	1.485	1.465	1.477	1.458
Spain	1.427	1.408	1.406	1.388	1.399	1.381	1.392	1.374
Brazil	1.421	1.402	1.400	1.382	1.393	1.375	1.386	1.369
Venezuela	1.244	1.229	1.226	1.212	1.220	1.206	1.214	1.200
Mexico	**1.210**	**1.196**	**1.412**	**1.394**	**1.478**	**1.459**	**1.543**	**1.523**
Sweden	1.121	1.109	1.104	1.093	1.099	1.087	1.094	1.082
Argentina	0.991	0.981	0.976	0.967	0.971	0.962	0.966	0.958
Indonesia	0.973	0.964	0.959	0.950	0.954	0.945	0.949	0.941
Austria	0.876	0.869	0.863	0.856	0.859	0.852	0.855	0.848
South Africa	0.874	0.867	0.861	0.855	0.857	0.851	0.853	0.847
Nigeria	0.820	0.814	0.808	0.803	0.804	0.799	0.800	0.795
Norway	0.782	0.777	0.771	0.766	0.767	0.762	0.763	0.759
Denmark	0.769	0.764	0.757	0.753	0.754	0.749	0.750	0.746
Korea	**0.764**	**0.760**	**1.255**	**1.240**	**1.415**	**1.397**	**1.574**	**1.553**
Iran	0.701	0.697	0.690	0.687	0.687	0.684	0.683	0.681
Malaysia	0.696	0.692	0.685	0.682	0.682	0.679	0.679	0.676
Kuwait	0.646	0.644	0.637	0.635	0.634	0.632	0.630	0.629
Ukraine	0.642	0.640	0.632	0.631	0.629	0.628	0.626	0.625
Poland	0.641	0.639	0.631	0.629	0.628	0.626	0.625	0.623
Finland	0.591	0.590	0.583	0.582	0.580	0.579	0.577	0.576
Algeria	0.587	0.586	0.578	0.578	0.576	0.575	0.573	0.572
Iraq	0.556	0.556	0.548	0.548	0.545	0.545	0.542	0.543
Libya	0.526	0.526	0.518	0.519	0.515	0.516	0.513	0.514
Thailand	0.506	0.507	0.499	0.500	0.496	0.497	0.494	0.495
Hungary	0.486	0.487	0.479	0.480	0.476	0.478	0.474	0.475
Pakistan	0.484	0.485	0.477	0.478	0.474	0.476	0.472	0.473
Romania	0.482	0.483	0.475	0.476	0.473	0.474	0.470	0.472
Turkey	**0.451**	**0.453**	**0.533**	**0.533**	**0.559**	**0.559**	**0.586**	**0.585**
Egypt	0.442	0.444	0.435	0.437	0.433	0.435	0.431	0.433
Israel	0.434	0.437	0.428	0.430	0.426	0.428	0.424	0.426
New Zealand	0.419	0.421	0.412	0.415	0.410	0.413	0.408	0.411
Philippines	0.412	0.414	0.406	0.408	0.404	0.407	0.402	0.405
Portugal	0.406	0.409	0.400	0.403	0.398	0.401	0.396	0.399
Singapore	0.404	0.407	0.398	0.401	0.396	0.399	0.394	0.397
Chile	0.401	0.404	0.395	0.398	0.393	0.396	0.391	0.394
Ireland	0.392	0.395	0.386	0.390	0.385	0.388	0.383	0.386
Greece	0.385	0.388	0.379	0.383	0.378	0.381	0.376	0.379
Czech Republic	0.383	0.387	0.378	0.381	0.376	0.379	0.374	0.377
Colombia	0.362	0.366	0.357	0.361	0.355	0.359	0.353	0.357
Bulgaria	0.300	0.305	0.295	0.300	0.294	0.299	0.292	0.297
Peru	0.299	0.304	0.294	0.299	0.293	0.298	0.291	0.297
United Arab Emirates	0.286	0.292	0.282	0.287	0.281	0.286	0.279	0.285
Morocco	0.275	0.281	0.271	0.277	0.270	0.275	0.269	0.274
Bangladesh	0.250	0.256	0.246	0.252	0.245	0.251	0.243	0.250
Congo, Dem. Republic of	0.249	0.256	0.246	0.252	0.245	0.251	0.243	0.249
Zambia	0.229	0.235	0.225	0.232	0.224	0.231	0.223	0.230
Serbia / Montenegro	0.219	0.226	0.216	0.222	0.215	0.221	0.214	0.220
Sri Lanka	0.193	0.201	0.191	0.198	0.190	0.197	0.189	0.196
Belarus	0.181	0.188	0.178	0.186	0.177	0.185	0.176	0.184
Ghana	0.173	0.180	0.170	0.178	0.169	0.177	0.168	0.176
Kazakhstan	0.171	0.179	0.169	0.176	0.168	0.176	0.167	0.175

Table 3. Quota and Voting Shares by Member (continued)
(in percent)

Member	Actual Quota Share	Voting Share 1/	1.5 percent		2.0 percent		2.5 percent	
			New Actual Quota Share	New Voting Share 1/	New Actual Quota Share	New Voting Share 1/	New Actual Quota Share	New Voting Share 1/
Croatia	0.171	0.179	0.168	0.176	0.167	0.175	0.167	0.174
Slovak Republic	0.167	0.175	0.165	0.173	0.164	0.172	0.163	0.171
Zimbabwe	0.165	0.173	0.163	0.171	0.162	0.170	0.161	0.169
Trinidad and Tobago	0.157	0.165	0.155	0.163	0.154	0.162	0.153	0.161
Vietnam	0.154	0.162	0.152	0.160	0.151	0.159	0.150	0.158
Cote d'Ivoire	0.152	0.160	0.150	0.158	0.149	0.157	0.148	0.157
Sudan	0.147	0.156	0.145	0.154	0.145	0.153	0.144	0.152
Uruguay	0.143	0.152	0.141	0.150	0.141	0.149	0.140	0.148
Ecuador	0.141	0.150	0.139	0.148	0.139	0.147	0.138	0.146
Syrian Arab Republic	0.137	0.146	0.135	0.144	0.135	0.143	0.134	0.142
Tunisia	0.134	0.143	0.132	0.141	0.131	0.140	0.131	0.139
Angola	0.134	0.143	0.132	0.141	0.131	0.140	0.131	0.139
Luxembourg	0.131	0.139	0.129	0.137	0.128	0.137	0.127	0.136
Uzbekistan	0.129	0.138	0.127	0.136	0.126	0.135	0.126	0.134
Jamaica	0.128	0.137	0.126	0.135	0.125	0.134	0.125	0.133
Kenya	0.127	0.136	0.125	0.134	0.124	0.133	0.124	0.133
Qatar	0.123	0.132	0.122	0.130	0.121	0.130	0.120	0.129
Myanmar	0.121	0.130	0.119	0.128	0.119	0.127	0.118	0.127
Yemen, Republic of	0.114	0.123	0.112	0.121	0.112	0.121	0.111	0.120
Slovenia	0.108	0.118	0.107	0.116	0.106	0.115	0.106	0.115
Dominican Republic	0.102	0.112	0.101	0.110	0.100	0.110	0.100	0.109
Brunei Darussalam	0.101	0.110	0.099	0.108	0.099	0.108	0.098	0.107
Guatemala	0.098	0.108	0.097	0.106	0.096	0.106	0.096	0.105
Panama	0.097	0.106	0.095	0.105	0.095	0.104	0.094	0.104
Lebanon	0.095	0.104	0.094	0.103	0.093	0.102	0.093	0.102
Tanzania	0.093	0.103	0.092	0.101	0.091	0.101	0.091	0.100
Oman	0.091	0.100	0.089	0.099	0.089	0.098	0.089	0.098
Cameroon	0.087	0.097	0.086	0.095	0.085	0.095	0.085	0.094
Uganda	0.084	0.094	0.083	0.093	0.083	0.092	0.082	0.092
Bolivia	0.080	0.090	0.079	0.089	0.079	0.088	0.078	0.088
El Salvador	0.080	0.090	0.079	0.089	0.079	0.088	0.078	0.088
Jordan	0.080	0.090	0.079	0.088	0.078	0.088	0.078	0.087
Bosnia-Herzegovina	0.079	0.089	0.078	0.088	0.078	0.087	0.077	0.087
Costa Rica	0.077	0.087	0.076	0.085	0.075	0.085	0.075	0.085
Afghanistan, Islamic State of	0.076	0.086	0.075	0.084	0.074	0.084	0.074	0.084
Senegal	0.076	0.086	0.075	0.084	0.074	0.084	0.074	0.084
Azerbaijan	0.075	0.085	0.074	0.084	0.074	0.084	0.073	0.083
Gabon	0.072	0.082	0.071	0.081	0.071	0.081	0.070	0.080
Georgia	0.070	0.080	0.069	0.079	0.069	0.079	0.069	0.078
Lithuania	0.067	0.078	0.066	0.076	0.066	0.076	0.066	0.076
Cyprus	0.065	0.075	0.064	0.074	0.064	0.074	0.064	0.074
Namibia	0.064	0.074	0.063	0.073	0.063	0.073	0.062	0.072
Bahrain	0.063	0.073	0.062	0.072	0.062	0.072	0.062	0.072
Ethiopia	0.063	0.073	0.062	0.072	0.061	0.071	0.061	0.071
Papua New Guinea	0.062	0.072	0.061	0.071	0.060	0.070	0.060	0.070
Bahamas, The	0.061	0.071	0.060	0.070	0.060	0.070	0.059	0.069
Nicaragua	0.061	0.071	0.060	0.070	0.060	0.070	0.059	0.069
Honduras	0.061	0.071	0.060	0.070	0.059	0.069	0.059	0.069
Liberia	0.060	0.071	0.060	0.070	0.059	0.069	0.059	0.069
Latvia	0.059	0.070	0.058	0.069	0.058	0.068	0.058	0.068
Moldova	0.058	0.068	0.057	0.067	0.057	0.067	0.056	0.066
Madagascar	0.057	0.067	0.056	0.066	0.056	0.066	0.056	0.066
Iceland	0.055	0.065	0.054	0.064	0.054	0.064	0.054	0.064
Mozambique	0.053	0.063	0.052	0.063	0.052	0.062	0.052	0.062
Guinea	0.050	0.061	0.049	0.060	0.049	0.059	0.049	0.059
Sierra Leone	0.049	0.059	0.048	0.058	0.048	0.058	0.047	0.058
Malta	0.048	0.058	0.047	0.057	0.047	0.057	0.047	0.057
Mauritius	0.048	0.058	0.047	0.057	0.047	0.057	0.046	0.057
Paraguay	0.047	0.057	0.046	0.056	0.046	0.056	0.046	0.056
Mali	0.044	0.054	0.043	0.053	0.043	0.053	0.043	0.053
Suriname	0.043	0.054	0.042	0.053	0.042	0.053	0.042	0.052
Armenia	0.043	0.054	0.042	0.053	0.042	0.053	0.042	0.052
Guyana	0.043	0.053	0.042	0.052	0.042	0.052	0.041	0.052
Kyrgyz Republic	0.042	0.052	0.041	0.051	0.041	0.051	0.041	0.051
Cambodia	0.041	0.052	0.040	0.051	0.040	0.051	0.040	0.050
Tajikistan	0.041	0.051	0.040	0.051	0.040	0.050	0.040	0.050

Table 3. Quota and Voting Shares by Member (concluded)
(in percent)

Member	Actual Quota Share	Voting Share 1/	1.5 percent		2.0 percent		2.5 percent	
			New Actual Quota Share	New Voting Share 1/	New Actual Quota Share	New Voting Share 1/	New Actual Quota Share	New Voting Share 1/
Congo, Republic of	0.040	0.050	0.039	0.049	0.039	0.049	0.039	0.049
Haiti	0.038	0.049	0.038	0.048	0.038	0.048	0.037	0.048
Somalia	0.038	0.049	0.038	0.048	0.037	0.048	0.037	0.048
Rwanda	0.037	0.048	0.037	0.047	0.037	0.047	0.037	0.047
Burundi	0.036	0.047	0.035	0.046	0.035	0.046	0.035	0.046
Turkmenistan	0.035	0.046	0.035	0.045	0.034	0.045	0.034	0.045
Togo	0.034	0.045	0.034	0.044	0.034	0.044	0.034	0.044
Nepal	0.033	0.044	0.033	0.043	0.033	0.043	0.033	0.043
Fiji	0.033	0.044	0.032	0.043	0.032	0.043	0.032	0.043
Malawi	0.032	0.043	0.032	0.043	0.032	0.042	0.032	0.042
Macedonia, FYR	0.032	0.043	0.032	0.042	0.032	0.042	0.031	0.042
Barbados	0.032	0.042	0.031	0.042	0.031	0.042	0.031	0.041
Niger	0.031	0.042	0.030	0.041	0.030	0.041	0.030	0.041
Estonia	0.031	0.041	0.030	0.041	0.030	0.041	0.030	0.040
Mauritania	0.030	0.041	0.030	0.040	0.030	0.040	0.029	0.040
Botswana	0.029	0.040	0.029	0.040	0.029	0.040	0.029	0.039
Benin	0.029	0.040	0.029	0.039	0.028	0.039	0.028	0.039
Burkina Faso	0.028	0.039	0.028	0.038	0.028	0.038	0.027	0.038
Chad	0.026	0.037	0.026	0.037	0.026	0.036	0.026	0.036
Central African Republic	0.026	0.037	0.026	0.036	0.026	0.036	0.025	0.036
Lao, People's Dem. Republic	0.025	0.036	0.024	0.035	0.024	0.035	0.024	0.035
Mongolia	0.024	0.035	0.024	0.034	0.023	0.034	0.023	0.034
Swaziland	0.024	0.035	0.023	0.034	0.023	0.034	0.023	0.034
Albania	0.023	0.034	0.022	0.033	0.022	0.033	0.022	0.033
Lesotho	0.016	0.027	0.016	0.027	0.016	0.027	0.016	0.027
Equatorial Guinea	0.015	0.026	0.015	0.026	0.015	0.026	0.015	0.026
Gambia, The	0.015	0.026	0.014	0.025	0.014	0.025	0.014	0.025
Belize	0.009	0.020	0.009	0.020	0.009	0.020	0.009	0.020
San Marino	0.008	0.019	0.008	0.019	0.008	0.019	0.008	0.019
Vanuatu	0.008	0.019	0.008	0.019	0.008	0.019	0.008	0.019
Eritrea	0.007	0.019	0.007	0.018	0.007	0.018	0.007	0.018
Djibouti	0.007	0.019	0.007	0.018	0.007	0.018	0.007	0.018
St. Lucia	0.007	0.018	0.007	0.018	0.007	0.018	0.007	0.018
Guinea-Bissau	0.007	0.018	0.007	0.018	0.007	0.018	0.006	0.018
Antigua and Barbuda	0.006	0.018	0.006	0.017	0.006	0.017	0.006	0.017
Grenada	0.005	0.017	0.005	0.017	0.005	0.016	0.005	0.016
Samoa	0.005	0.017	0.005	0.017	0.005	0.016	0.005	0.016
Solomon Islands	0.005	0.016	0.005	0.016	0.005	0.016	0.005	0.016
Cape Verde	0.004	0.016	0.004	0.016	0.004	0.016	0.004	0.015
St. Kitts and Nevis	0.004	0.016	0.004	0.015	0.004	0.015	0.004	0.015
Comoros	0.004	0.016	0.004	0.015	0.004	0.015	0.004	0.015
Seychelles	0.004	0.015	0.004	0.015	0.004	0.015	0.004	0.015
St. Vincent and the Grenadines	0.004	0.015	0.004	0.015	0.004	0.015	0.004	0.015
Timor-Leste	0.004	0.015	0.004	0.015	0.004	0.015	0.004	0.015
Maldives	0.004	0.015	0.004	0.015	0.004	0.015	0.004	0.015
Dominica	0.004	0.015	0.004	0.015	0.004	0.015	0.004	0.015
Sao Tome and Principe	0.003	0.015	0.003	0.015	0.003	0.015	0.003	0.014
Tonga	0.003	0.015	0.003	0.014	0.003	0.014	0.003	0.014
Bhutan	0.003	0.014	0.003	0.014	0.003	0.014	0.003	0.014
Kiribati	0.003	0.014	0.003	0.014	0.003	0.014	0.003	0.014
Micronesia, Fed. States of	0.002	0.014	0.002	0.014	0.002	0.014	0.002	0.013
Marshall Islands	0.002	0.013	0.002	0.013	0.002	0.013	0.002	0.013
Palau, Republic of	0.001	0.013	0.001	0.013	0.001	0.013	0.001	0.013

Source: Finance Department.

1/ For Liberia, Somalia, and Sudan Eleventh Review proposed quotas are used. Liberia and Zimbabwe are included although their voting rights have been suspended.

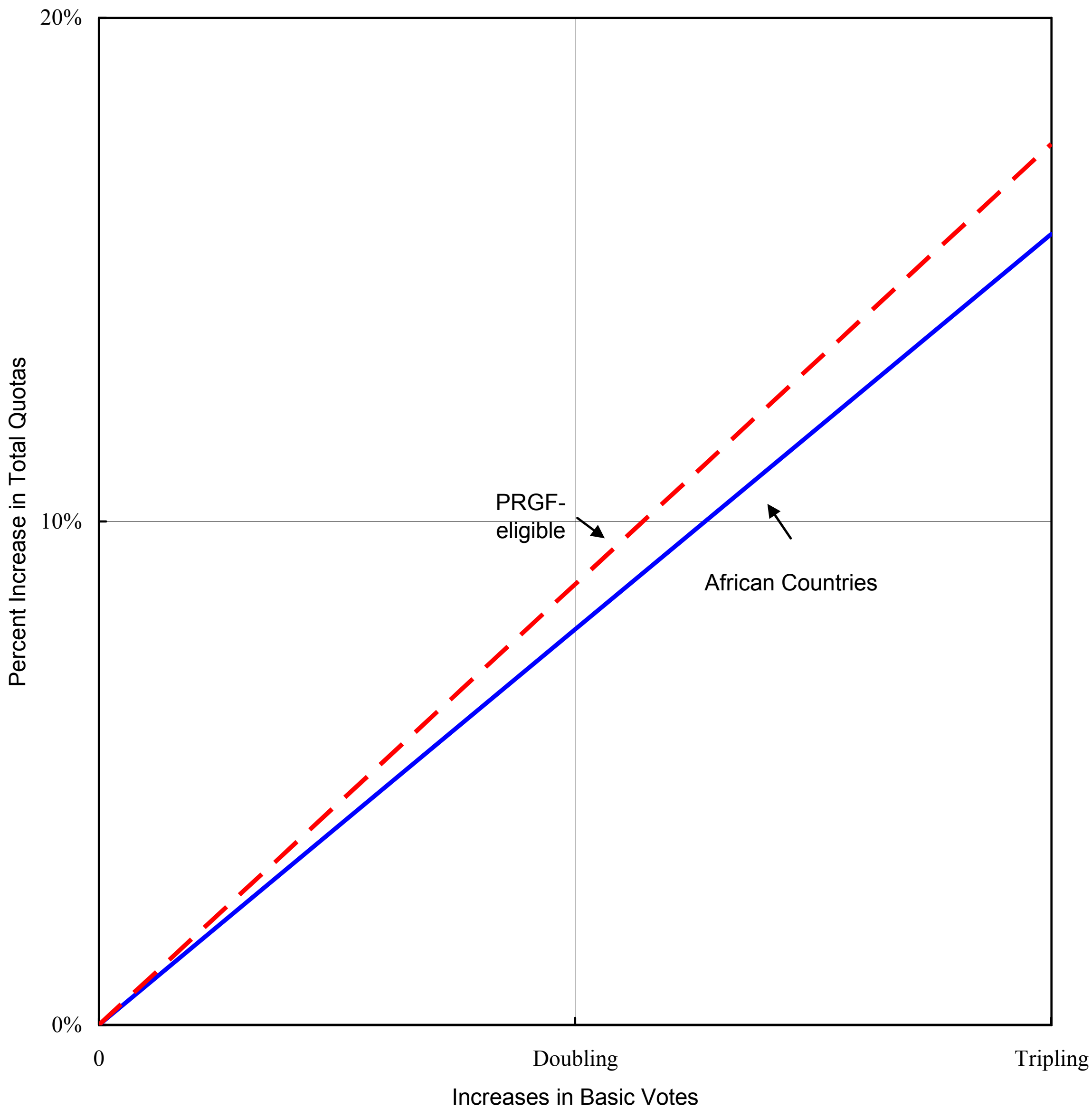
Table 4. Measures of Out-of-Lineness After Ad Hoc Increases

Country	New Actual Quota	New Actual Quota Share	Calculated Quota Share	Ratio of Calculated Share to New Actual Quota Share on the Basis Shown				
	(SDR million)	(in percent)	(in percent)	Existing Five Formulas	GDP 1/ 2002-04	Openness 2000-04	Variability 1/ 2/ 1992-2004	Reserves 2004
				1.5% Overall Quota Increase				
China	7,817.6	3.604	5.197	1.442	1.261	1.403	0.840	4.297
Korea	2,722.5	1.255	2.508	1.999	1.334	1.855	1.990	4.284
Mexico	3,063.0	1.412	1.928	1.366	1.275	1.468	1.507	1.368
Turkey	1,155.3	0.533	0.741	1.391	1.236	1.358	3.148	2.024
				2.0% Overall Quota Increase				
China	8,300.4	3.808	5.197	1.365	1.193	1.328	0.795	4.067
Korea	3,085.4	1.415	2.508	1.772	1.183	1.645	1.765	3.798
Mexico	3,222.1	1.478	1.928	1.305	1.218	1.402	1.440	1.307
Turkey	1,219.1	0.559	0.741	1.325	1.177	1.293	2.998	1.927
				2.5% Overall Quota Increase				
China	8,783.2	4.009	5.197	1.296	1.133	1.261	0.755	3.862
Korea	3,448.4	1.574	2.508	1.594	1.064	1.479	1.587	3.415
Mexico	3,381.1	1.543	1.928	1.249	1.166	1.343	1.379	1.252
Turkey	1,282.8	0.586	0.741	1.265	1.124	1.235	2.863	1.840

Source: Finance Department.

1/ The variables shown here differ from the formulation used in the existing quota formulas.
2/ Variability of current receipts and net capital inflows, measured as a standard deviation from centered three-year trend.

Figure 1. Combinations of Increases in Basic Votes and Total Quotas that Preserve African and PRGF-Eligible Countries' Current Voting Shares [1/]



Source: Finance Department

1/ Total quota increases reflect combined effects of ad-hoc increases in rounds 1 and 2. As a simplifying assumption to facilitate the calculation, no allowance has been made for possible ad-hoc increases for African or PRGF-eligible countries in the second round. Such increases would add to the size of the total increases that are possible without eroding voting shares for these two groups.

ANNEX I. Appointment of Alternate Executive Directors

Article XII, Section 3(e) provides: "Each Executive Director shall appoint an Alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, Alternates may participate in meeting but may not vote." For its part, the last sentence of Article XII, Section 3(f), provides, in case of the vacancy of the office of an Executive Director, that: "While the office remains vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate."

The Alternate Executive Director is a representative of the Executive Director appointing him and as such should act in accordance with the instructions given by that Executive Director. If the office of the Executive Director becomes vacant, when a new elective Executive Director is named the office of the Alternate becomes vacant and an Alternate shall be named by the newly elected Executive Director (By-Laws, Section 17).

The Articles leave it entirely to each Executive Director to determine whom to appoint as an Alternate and the Alternate serves at the pleasure of the Executive Director appointing him. In practice, the members of constituencies formed for the elections of Executive Directors often informally agree among themselves which member of the constituency would designate the candidate to be elected as Executive Director, and which the person to be appointed as Alternate by the elected Executive Director.

Executive Directors and Alternates are subject to the same rights and obligations, with the only limitation that Alternates cannot vote when the Executive Directors appointing them are present at a meeting. The duty of an Executive Director and his Alternate is to devote all the time and attention to the business of the Fund that its interest require, and, between them, to be continuously available at the principal office of the Fund (By-Laws, Section 14 (d)). An Executive Director and his Alternate may attend and participate in all meetings of the Board of Governors (By-Laws, Section 5). However, they are not entitled to vote at those meetings unless entitled to vote as a Governor, or an Alternate or temporary Alternate Governor), as well as in all the meetings of the Executive Board and its committees (Rules B-1 and B-3).

Quotas and Voice—A Possible Package of Reforms

The Chairman's Concluding Remarks

This has been a very constructive discussion that has brought us close to agreement on a package of quota and voice reforms. Directors have clearly reaffirmed that reform in this area is vital for the credibility and effectiveness of the Fund, and that they attach the highest importance to agreeing on a package of reforms by the time of the Singapore Annual Meetings. Also, broad support has emerged for a reform package along the lines presented in the staff paper, a package that has been developed in close consultation with the membership.

The central objectives of this package are firstly to achieve significant progress in realigning quota shares with members' economic positions in the global economy, and to make quota and voting shares in the Fund more responsive to changes in global economic realities in the future. And secondly, and equally important, to enhance the participation and voice for low-income countries. The reforms envisaged should be viewed as an integrated program to be completed in a two-year period, that is, by the time of the Annual Meetings in 2008. Indeed, as many Directors emphasized, a strong commitment to implementing the entire package is imperative.

As regards realigning quotas, there is broad agreement that there should be initial ad hoc increases for a small group of the most clearly underrepresented countries. While some Directors would have liked to see a larger group, a broad majority of Directors supported or could go along with the proposal that this group comprise China, Korea, Mexico, and Turkey. These countries meet a robust standard of underrepresentation, and limiting the initial ad hoc increases to this group will not prejudge the outcome of the discussions in the second round on a new quota formula.

There is broad agreement that the aggregate size of these initial ad hoc increases should be quite modest, given the limited country coverage, and the need to preserve incentives for further, more fundamental, reforms. While some differences of view exist on the precise magnitude, most Directors felt that the size of the increase should be in the lower half of the proposed range of 1.5–2.5 percent. Directors agree that the increases should be allocated so as to achieve a uniform proportional reduction in the gap between the calculated and actual quota shares (using the existing quota formulas) for each of these members.

A broad consensus exists that a new quota formula should be a key element of the reform package, as this would provide the basis for a further rebalancing of quotas as part of the overall reform program. The new formula should be simpler and more transparent than the existing formulas. It would also need to capture appropriately members' positions in the global economy. A range of views was expressed on the variables to be included in the new quota formula. There is considerable support for the view that a significantly higher weight should be given to GDP in the revised formula. However, as many Directors noted, additional variables that capture other dimensions of members' involvement in the global economy, including a measure of the openness of members' economies, should also play an important role. Directors emphasized that it is important not to prejudge the outcome of the discussions on the formula at this point. Given the complexity of the issues involved, it will be vital to start discussion on a new quota formula soon after the Annual Meetings in Singapore. Work on the new quota formula should be completed as soon as possible, and no later than the Spring 2008 meeting of the IMFC, to allow time for agreement on a further round of ad hoc quota increases by the time of the Annual Meetings in 2008.

Once a new quota formula has been agreed, there is broad agreement that a second round of ad hoc quota increases based on the new formula should be a key part of the two-year reform package. This second round should aim to achieve a significant further rebalancing of quota shares. Agreement on a new quota formula should make it possible to include a wider range of countries in this second round. The precise amount of the increases, however, could only be agreed later in the two-year program as the details of other elements of the reform package are also pinned down. I have suggested that large advanced economies that already have sizable voting power in the Fund and that prove to be eligible for ad hoc increases in the second round should forgo, or at least substantially limit, the increases that they request. This would augment the quota increases available for other underrepresented members for a given total size for the second round of ad hoc increases. I am encouraged by what I have heard in this regard today.

Looking beyond the second round of ad hoc increases, Directors agree that it would be important to ensure that quota shares continue to evolve in line with changes in members' positions in the global economy. To this end, there is support for the proposal that the Executive Board recommend to the Board of Governors in Singapore that it confirm in a resolution that, in the context of future general reviews of quotas, the Fund will seek to further realign quotas with members' relative positions in the global economy, while continuing to ensure that the Fund has adequate liquidity to achieve its purposes. Such a resolution would serve to send a strong signal of intent on the part of the membership. Consideration could subsequently be given as part of the reform program to amending the Articles of Agreement, so as to specify clearly this objective in the Articles themselves.

Turning to voice and representation for low-income countries, there is a consensus that an increase in basic votes is an essential element of the package. Directors agreed that the amendment to the Articles of Agreement necessary to increase basic votes should also include a mechanism for safeguarding the proportion of basic votes in total voting power. While many Directors support at least a doubling of basic votes, a range of views on the precise size and timing of the increase in basic votes has been expressed. I have noted, in this context, the quite understandable concern of many that the sequencing of the ad hoc quota increases and the increase in basic votes should be such as to at least preserve, and certainly not erode, the voting power of low-income countries. On the basis of today's discussion, we will need to come up with draft language for the Board of Governors' Resolution that properly reflects the strong commitment to address this concern.

There is wide support for steps to provide additional resources for the offices of the two African Executive Directors, which, with their large constituencies, face special challenges. An immediate step could involve an increase in the staffing entitlement for Senior Advisors appointed by large constituencies. Such a decision could be taken expeditiously, following the Singapore Annual Meetings, based on a specific proposal by the Board's Committee on Administrative Matters. The merits of an amendment to the Articles to increase the number of Alternate Executive Directors as part of the two-year package of reforms should also be considered. This could further enhance the capacity of African offices, and would signal the importance the membership attaches to low-income members' effective participation in the governance of the Fund.

I would also note that management intends to intensify further its dialogue with African Ministers. Building on already strengthened contacts, the establishment of an African Consultative Group is being discussed with African Governors. This group, which would comprise Fund management, Executive Directors representing Africa, and African Governors, would provide a strengthened channel through which issues of concern to Africa could be raised and recommendations made to management.

Management also meets with other formal or informal regional groups to discuss issues of interest to their members as a useful tool to address the different needs of countries.

There is considerable agreement about the importance of ensuring that procedures for the selection of the Managing Director are open and transparent. The Executive Board should consider whether further steps, beyond those discussed by the Boards of the Bank and the Fund in 2001 and the steps followed in 2004, are needed to ensure a fully transparent process for the selection of the Managing Director, as part of the two-year program of governance reforms.

In light of the progress made today, I intend to come back to you shortly with a draft of the Board of Governors' Resolution on both the initial ad hoc quota increases and the roadmap for the rest of the package, and a report from the Executive Board to the Board of Governors on the entire reform package. These two documents could be discussed by the Board next week.