IMF quota reforms

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What is an IMF 'quota'?

- IMF member countries are each assigned a quota – a value of its share in the IMF financing system that is tied to its impact on the world economy.
- The quota is basically money that a member country has to give to the IMF.
- As per the norms, each member has to subscribe a quota of the IMF. It is out of this quota which is basically money, that the IMF gives loans to its members.
- A country's quota at the IMF determines its voting power, the amount of financial resources it must provide to the IMF and its access to IMF financing. The larger a country's quota, the more say that country has in the governance of the international fin

Quota Calculation Formula

- Quotas are based on a weighted average of GDP, openness, economic variability and international reserves. They are expressed in a value known as Special Drawing Rights, an international reserve asset determined by the value of the U.S. dollar, euro, Japanese yen and pound sterling.

Quota reviews

- The IMF's Board of Governors conducts general quota reviews at regular intervals (no more than five years). Any changes in quotas must be approved by an 85 percent majority of the total voting power, and a member's own quota cannot be changed without its consent. Two main issues addressed in a general quota review are the size of an overall quota increase and the distribution of the increase among the members.

Why Reforms Required

- Higher IMF quota simply means more voting rights and borrowing permissions under IMF. But it is unfortunate that formula is designed in such a way that USA itself has 17.7% quota which is higher than cumulative of several countries. The G7 group contains more than 40% quota where countries like India & Russia have only 2.5% quota in IMF. Some countries are over represented in the IMF and that's why emerging countries are against this quota scheme of IMF.
- Further it is almost impossible to make any reform in the current quota system as more than 85% of total votes are required to make it happen. The 85% votes does not 85% countries but countries which have 85% of voting power and only USA has voting share of around 17% which makes it impossible to reform quota without consent of developed countries.
- IMF Board of Governors conducts quota reviews meetings at regular interval say in every 5 years. Any revision in IMF quota system shall be approved by at least 85% majority of total voting power ad a member consent is necessary to change its quota in IMF.