BRIEFING

ECON in Focus

The International Monetary Fund: 15th General Review of Quotas

Introduction

This briefing follows previous studies on the International Monetary Fund ('IMF' or 'Fund') prepared by the European Parliament's Policy Department for Economic, Scientific and Quality of Life Policies in 2012[1] and 2015[2] for the Committee on Economic and Monetary Affairs. The Fund is now at a key juncture as it engages in a quota review which is likely to have important institutional, economic and political consequences. The role of the IMF in the global economy has evolved greatly since its inception. During the global financial crisis, the Fund suddenly found itself in a position to provide large-scale support to advanced economies, in particular in the euro area. Against this background, the European Parliament has sought to establish its role in these issues of common concern for the EU/euro area. This paper aims to provide a general description of the quota system and the current state of play of the review. It also discusses the dimension of parliamentary scrutiny.

SUMMARY

- Quotas are an essential component of the governance structure of the IMF. They define the influence member countries exert in the decision-making processes as well as their financial commitments and access to financing in case of need.
- Quota reviews are becoming increasingly contentious and protracted exercises, mainly due to the relative rise of BRICS and other emerging economies, and the pressure this wields on established power relations within the Fund.
- The 15th quota review is likely to be no exception in this regard. Two key issues will arise: overall sufficiency of IMF resources and redistribution of quota shares.
- Maintaining the *status quo* and failing to agree on an overall quota increase, or at least an extension of existing borrowing arrangements, might significantly reduce the resources at the Fund's disposal and effectively undermine the ability to fulfil its role.
- Parliamentary scrutiny of key decisions within the IMF, such as quota reviews, varies considerably across member countries. At the EU level, decision-making is somewhat coordinated (SCIMF and EURIMF), with further plans to unify the representation of the euro area in the Fund. Parliamentary oversight is the responsibility of national parliaments.

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What are quotas?

Quotas play an essential part in the governance and functioning of the IMF. They fulfil three main functions:

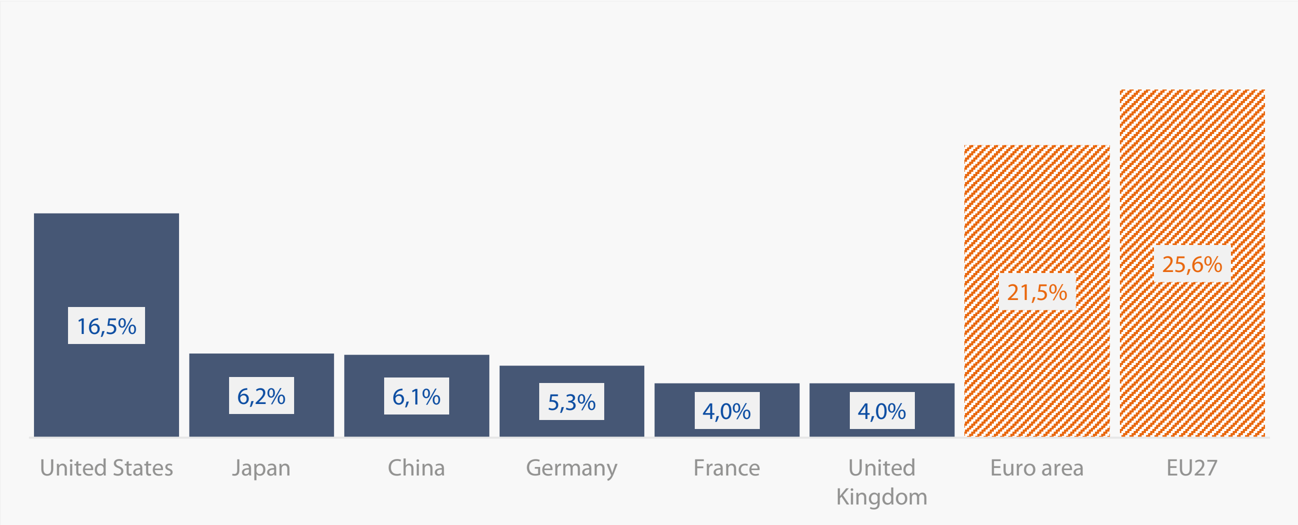
- **Voting power**: Quotas are used to establish the number of votes each member country has at its disposal in the IMF's decision-making system.
- **Access to financing**: They define the level of assistance member countries may resort to in case of need.
- **Subscription**: They are used to establish the amount of resources each member needs to provide to the IMF.

Other important rights and obligations stem for relative quota shares. For instance, the member with the largest quota share hosts the principal office of the Fund (currently Washington, D.C., United States). Also, five member countries with the largest quota shares decide on the location of depositaries for the Fund's gold holdings[3]. More importantly, quota shares are used to determine the allocation of Special Drawing Rights (SDR), a form of international reserve asset aimed to complement member countries' official reserves.

Voting and governance

Voting power is determined on the basis of quota shares. The exact number of votes at the disposal of each country is calculated as follows: basic votes[4] plus one vote for each SDR 100,000 of quotas[5].

Figure 1: Share of votes (top six countries plus euro area and EU27)[6]



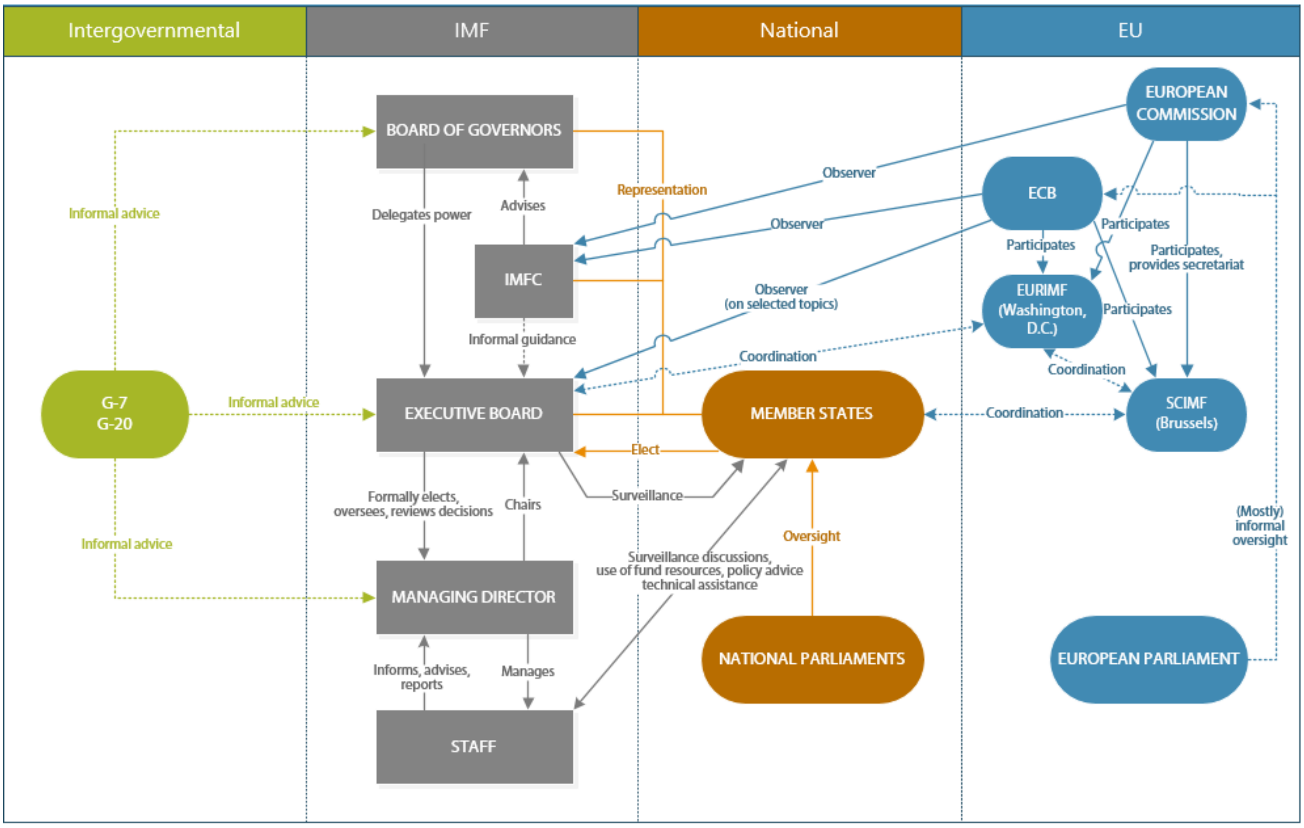
Most essential governance decisions, such as quota adjustments, are made with an 85% majority, giving the US **veto power** which it has been able to maintain through successive quota reviews in the past. Assuming an effective coordination of the Member States' views and actions, the EU also has a *de facto* veto power.

EU countries have long been criticised for having far more influence in the IMF than warranted by their position in the global economy[7]. This partly stems from the fact that EU countries' quotas are not formally unified and the Fund treats them as separate member countries while, at the same time, they do coordinate their views informally[8].

For day-to-day decision-making purposes, representation in the Executive Board is organised in **single- or multi-country constituencies**. Euro area countries are currently dispersed in eight different constituencies of which two (France and Germany) are single-country with their own Executive Directors. Three other EU countries currently have Executive Directors in multi-country constituencies (Belgium, Italy and Sweden)[9].

In this respect, the way constituencies are organised and coalitions formed in the Executive Board is of critical importance for determining the decision-making power. Figure 2 gives a general overview of the IMF governance structure, adapted to the EU perspective.

Figure 2: Stylised overview of the IMF governance structure (EU perspective)[10]



Access to financing

Quotas determine the level of access to the **IMF's lending facilities**. For instance, under the Stand-By Arrangements and Extended Fund Facilities, countries can borrow up to 145% of their quotas on an annual basis and up to 435% cumulatively for the duration of the programme[11]. These limits, however, may be exceeded in exceptional circumstances.

The criteria for **exceptional access** were first established in 2002. However, as the euro area debt crisis unfolded, the rules were changed to accommodate the provision of support to advanced economies in trouble. This was made particularly evident in the Greek programme where the Fund was unable to assess debt as sustainable with 'high probability', which was one of the criteria for exceptional access. An exemption was thus introduced in 2010 for cases where there is a 'high risk of international systemic spillovers'[12]. The systemic exemption was revoked in 2015 after insistence of the US and other countries, adding, however, certain flexibility compared to the 2002 framework[13].

IMF resources

Currently, the Fund may tap resources from **three main sources**. In addition to quota-based financing, two other sources are used: New Arrangements to Borrow (NAB) and bilateral borrowing. The IMF currently has close to SDR 1 trillion (around EUR 1.2 trillion)[14] at its disposal to deal with global economic issues. The structure shown in Figure 3 is designed as a 'three-line defence' where quota subscriptions are the primary source, while the Fund borrowing under the NAB and bilateral arrangements act as a (temporary) backstop.

Figure 3: Overview of IMF resources[15]

Source of financing	Resources (SDR million)	Comments
Quotas	475,473	According to the 14th General Review.
New Arrangements to Borrow (NAB)	180,573	Expire in November 2022.
Bilateral Borrowing Arrangements	318,735	Expire end-2019, may be extended by one year.
TOTAL	**974,781**	

Discussions about the adequacy of quota subscriptions is very much tied to these multilateral (NAB) and bilateral borrowing arrangements. It is combination of these three sources that gives the IMF the firepower to address issues in the global economy.

As a predecessor to the current borrowing arrangements, the **General Agreement to Borrow (GAB)** was set up in 1962 so that additional funding could be provided to the IMF by borrowing from the so-called 'G10' countries. The total amount available under GAB was SDR 17 billion, plus an additional SDR 1.5 billion through an associated agreement with Saudi Arabia. In recent years, GAB was underutilised (last activated in 1998) and proved inferior to the Fund's quota financing and NAB. It was agreed that GAB and the Saudi Arabia agreement would not be renewed beyond December 2018[16].

The **NAB** was established in 1997 to complement and widen the pre-existing GAB. Currently, 38 countries (either governments or central banks) have committed to provide additional funding to the IMF through the NAB. Its initial amount was SDR 34 billion, increased more than ten-fold in 2011 to SDR 370 billion and then reduced to SDR 182 billion as part of the 14th quota review. 14 EU Member States[17] contribute with around 30% of the total NAB resources[18]. Activation of the NAB requires an 85% majority of participating creditors and approval of the Executive Board, and may be used only in the event that the Fund's forward commitment capacity drops below SDR 100 billion. Since 2011, NAB was activated 10 times. It was last renewed in 2016 until November 2022.

In order to fill the resource gap, in 2012, the Fund entered into **bilateral borrowing arrangements** with a number of member countries or central banks. After the expiry of the 2+2 term, a new bilateral borrowing framework was concluded in 2016. In June 2018, access to the bilateral funds was extended to end-2019 (possible further extension to end-2020). Currently, 40 countries committed resources including 16 EU Member States[19] (representing around 45% of the total bilateral resources)[20]. The US do not participate as a creditor in the framework. Bilateral borrowing agreements may be activated only when uncommitted NAB resources fall below SDR 100 billion, which has not happened in the post-2012 framework.

Figure 4: IMF resources (as % of world GDP)[21]

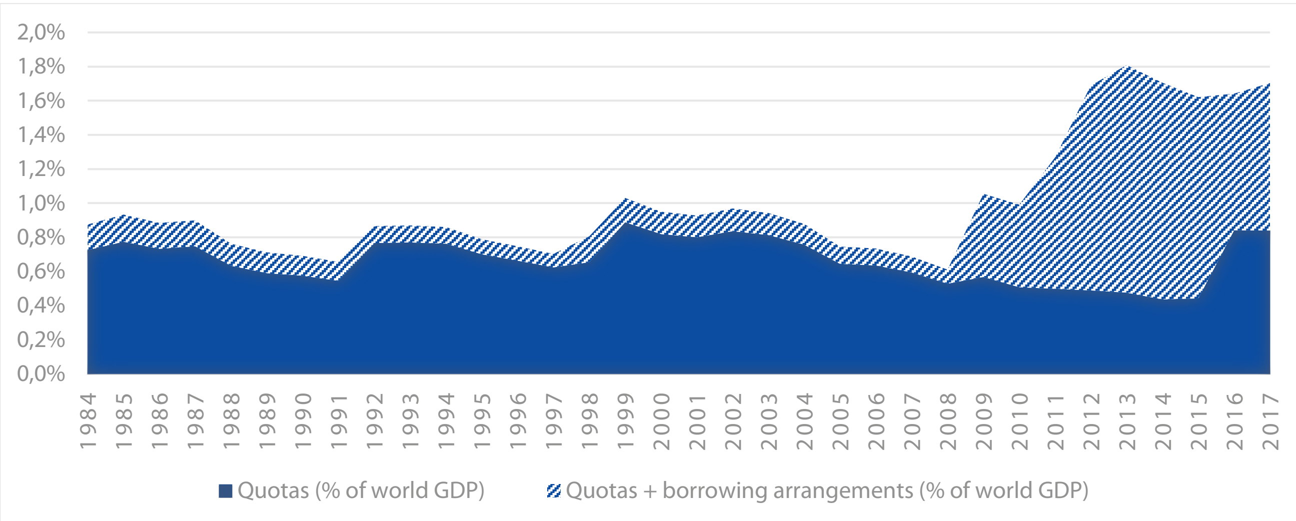


Figure 4 shows how, until 2009[22], the Fund relied on quota subscriptions as a source of financing. The global financial crisis revealed the insufficiency of quotas to deal with such large-scale events, and the cumbersome political process behind any increases, rendering them inflexible and inadequate in face of urgencies. The funding gap was compensated with temporary borrowing arrangements with key creditor countries (NAB and bilateral arrangements). Today, even after the entry into force of the doubling of the overall quotas, borrowing arrangements account for more than half of the total available resources.

While borrowing arrangements proved to be a crucial backstop for the Fund's resource-generating ability in the crisis period, they are **not a stable source of funding**[23]. Also, in terms of governance, their activation requires a 'supermajority' of 85% of participating creditors, thus adding additional structures to the established decision-making practices within the Fund.

Assessments on the **sufficiency of IMF resources** involve a degree of political judgment. Technical analyses by actors such as the European Central Bank (ECB) indicate that it would be prudent to maintain the current level of resources[24]. Despite the increased 'regionalisation' of the global financial safety net, the IMF continues to be seen as its centrepiece. Some argue that regional financing arrangements and bilateral currency swaps are scattered and not equally available to all countries, leaving many of them greatly dependent on IMF support[25]. With the expiry of bilateral borrowing arrangements (2019/2020) and NAB (2022), the Fund could find itself short of resources to act as a safety net in the event of severe global economic crises.

Quota reviews

The IMF Articles of Agreement[26] mandate the Board of Governors to undertake a general review of quotas every five years or on an *ad hoc* basis. Any changes to the quotas, due to their zero-sum nature, need to be: a) supported by an 85% majority, and b) consented by the member countries affected. Such general reviews aim to reflect changes in the world economy and are essentially comprised of two elements: **the overall quota level**, and **distribution of relative quota shares,** guided by the quota formula.

The **quota formula** is the one of the more contentious issues in the process. Box 1 shows the current quota formula, agreed as part of the 2008 reforms.

Box 1: Current quota formula[27]

$$(\textbf{\textit{GDP}}[50\%] + \textbf{\textit{OPENNESS}}[30\%] + \textbf{\textit{VARIABILITY}}[15\%] + \textbf{\textit{RESERVES}}\ [5\%])^{\textit{COMPRESSION FACTOR}\ [95\%]}$$

GDP: Based on a 'GDP blend' measuring the three-year averages of GDP at market (60% weight) and purchasing power parity (PPP) (40% weight) exchange rates.

Openness: Five-year annual average of the sum of current payments and receipts (goods, services, income and transfers).

Variability: Of current receipts and net capital flows (measured as a standard deviation from the centred three-year trend over a thirteen year period).

Reserves: Twelve-month average of official reserves (foreign exchange, SDR, reserve position at the IMF, and gold).

Compression factor: Applied to the uncompressed calculated quota shares which are then rescaled to sum to 100. It is used to reduce the dispersion of quota shares.

The formula seeks to capture **all the functions of quotas**, which is a difficult task due to the seemingly contradicting goals of giving greater power to the larger, more developed members which contribute more resources to the Fund on the one hand and, on the other, to ensure that smaller, developing countries have adequate access to financing in case of need.

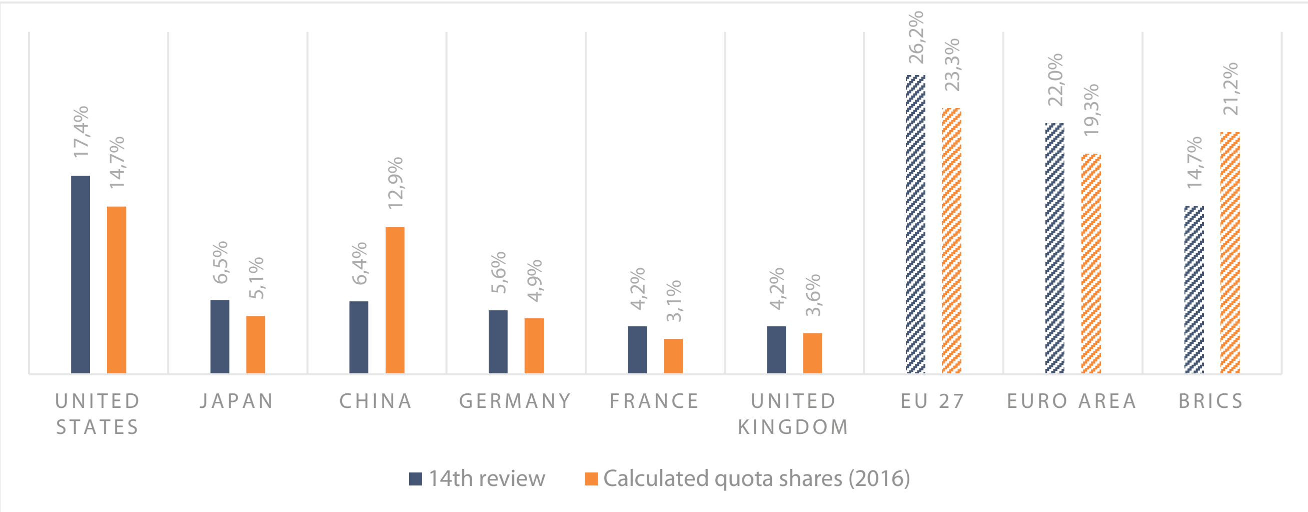
From the onset, the quota formula has been greatly driven by **political considerations**. The original formula, devised at the United Nations Monetary and Financial conference at Bretton Woods in 1944 was subject to a number of political constraints[28]. Frequent changes to it remove the automaticity and transparency of alternatively having a fixed formula. In addition, the formula is seen as a guidance more than a rule, as the Board of Governors has full discretion in deciding on the actual quota shares. Nevertheless, it plays a very important role in the process, often setting the tone and direction of discussions.

Several elements of the current formula have been subject to intense debate in academic and policymaking circles[29]. Within the **GDP blend** variable, GDP at PPP exchange rates favours emerging and developing countries while GDP at market rates works to the advantage of developed countries. The **openness** factor greatly benefits EU countries, if considered separately. China, on the other hand, reaps the greatest share of all the countries from the **reserve** variable, albeit accounting for only 5% of the quota formula. Another example is the **compression factor**, presumably aimed to increase the power of smaller countries which, in effect, brings large gains to medium-sized developed countries. For the euro area, the aggregate effect of the compression factor is positive (around 5%)[30]. The US would benefit from a **GDP-only formula**, giving them 20.7% of quota shares[31].

In the periods following the conclusion of the review, the quota formula also brings attention to the deviations between the agreed quota shares and updates according to the currently available data. In this respect, it might be seen as a tool for tracking the developments in the world economy and assessing the necessity and desired direction of future reviews.

Figure 5 shows, for the largest member countries, the difference between actual quota shares (i.e. those currently is use, agreed as part of the 14th General Review and subsequent *ad hoc* adjustments) and calculated quota shares using the current quota formula and latest available data (from 2016).

Figure 5: Actual vs Calculated Quota Shares (top six countries and selected country groups)[32]



The overall **'out-of-lineness'** is currently 12.5%[33]. It measures aggregate over/underrepresentation based on the current quota formula. This denotes a greater divergence than in 2010, prior to the completion of the 14th review, when it was close to 11%[34].

It is evident that, if the current quota formula were to be kept, the review would warrant a substantial increase of quota shares for emerging market economies (most notably China) at the expense of the US, Japan and euro area countries. The US would lose its veto power, EU countries would lose substantial shares while China would see its relative quota share double, making it the second largest member.

As past experience shows, the US will want to cling to its veto power and, together with the collective bargaining power of the EU countries, this would effectively prohibit a change of such magnitude. However, being formally agreed by the Fund membership during the last review as a proxy of the situation in the world economy, the current quota formula does carry some weight. China will claim that a substantial increase of its quota share is legitimate. During the 14th review negotiations, the calculated quota share for China was close to 8% and it eventually settled with 6.4%[35].

From the EU perspective, any effort to unify the representation in the IMF is bound to reduce the collective quota share of the euro area[36]. Other IMF members are unlikely to agree to mere consolidation of existing euro area quotas. However, if it does indeed go forward in parallel with the quota review, a scenario might emerge where the euro area countries, in return for a consolidated representation of some form, agree to a reduction while China benefits from a tangible increase, leaving the US veto largely unscathed.

14th review (2010)

It would be useful now to take a look back at the lengthy process of the 14th quota review to better understand the complexities which are expected to recur in the upcoming review.

The global financial crisis and increased pressure on the IMF to provide large-scale support to countries in need prompted the International Monetary and Financial Committee (IMFC) to advance the completion of the 14th general review of quotas by two years, i.e. by January 2011[37].

In December 2010, the IMF Governing Board concluded the 14th general review of quotas after considerable deliberations[38]. The review was monumental in many regards. Firstly, overall **quotas were doubled**, which is unparalleled in the Fund's history. This was, however, coupled with a slashing in half of the NAB. Secondly, the redistribution of quota shares brought **large gains for emerging market and developing economies** (about 6%). The quota formula was used to allocate only 60% of the overall increase[39], reflecting its mere guidance role and importance of discretion in deciding on quota shares. The decision also mandated the Executive Board to complete a review of the quota formula by January 2013 and to bring forward the completion of the 15th general review of quotas to January 2014.

Obtaining sufficient consent of the member countries proved to be an insurmountable challenge in the years that followed. This deadlock caused the Fund to miss its 2012 deadline for the quota review to enter into force, 2013 deadline to complete the quota formula review and 2014 deadline to complete the 15th review. The principal cause of the delay was the **inability of the US Administration to obtain congressional approval**. In December 2015, US Congress finally ratified the quota review and governance reforms agreed in 2010.

Slow progress with IMF reforms and emerging and developing countries' discontent with the outcomes are seen by some[40] to be relevant factors behind the rise of **regional financing arrangements** such as the Chiang Mai Initiative Mutualisation and the BRICS Contingent Reserve Arrangement.

Emerging market countries have traditionally tended to support further empowerment of the IMF. For instance, BRICS countries participate as creditors in the NAB and have bilateral borrowing arrangements with the Fund. Scholars have detected this apparent paradox between these countries' continuous criticism of the governance of the IMF and World Bank and, at the same time, support for transferring further powers and resources to these institutions. It appears that they make their support conditional on reforms which would integrate them better in the established governance structures, more so than demanding policy-related concessions[41].

15th review (2019)

At its October 2018 meeting, the IMFC reaffirmed its commitment 'to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the [Global Financial Safety Net]'. This commitment called for a new quota formula and realignment of quota shares in favour of emerging market and developing countries. The deadline to complete the 15th quota review was set for the **2019 Spring or Annual Meetings**, at the latest[42].

Discussions leading up to decisions on quota reviews are seldom publicly communicated. Some views have, however, emerged from key stakeholders, showing a degree of **discord on how to move forward**.

Steven Mnuchin, US Secretary of the Treasury, indicated that countries should rely on bilateral swap lines and regional financing arrangements and build up their reserve buffers[43]. In December 2018, Undersecretary of the Treasury for International Affairs David Malpass appeared in front of the House Committee on Financial Services where he conveyed the opposition of the **US Administration** 'to changes in quotas given that the IMF has ample resources to achieve its mission, countries have considerable alternative resources to draw upon in the event of a crisis, and the post-crisis financial reforms have helped strengthen the overall resiliency of the international monetary system'[44]. It remains to be seen whether this position also rules out an extension of the US NAB commitment (currently SDR 28.2 billion, i.e. 15.6% of the total[45]). Informal reports claim that the US is proposing to double NAB resources, leaving quotas untouched[46]. It is worth noting that, in October 2018, World Bank members agreed on a USD 60.1 billion capital increase. The US Administration signed off the increase but it still needs to be authorised and funds appropriated by the US Congress[47].

The Chairman of the Council of Economic and Finance Ministers (ECOFIN) stated that **EU Member States** favour increasing overall quota resources and preserving the status of GDP and, in particular, openness as the main variables in the quota formula. The statement also claims that voluntary contributions made in recent years in form of the NAB and bilateral agreements should be recognised and somehow compensated in the quota review[48]. A similar suggestion was made by the **Japanese representative**[49].

Yi Gang, Governor of the People's Bank of **China**, underlined the importance of quotas for the Fund's lending capacity, governance and legitimacy as well as his country's willingness to reach a conclusion of the quota review with the effect of overall quota increases and reduction of the quota share misalignment[50].

G24, a group of developing and emerging market countries, announced that the IMF should reduce its dependence on borrowing arrangements by increasing overall quota resources. At the same time, the group is calling for a greater weight for GDP (PPP) within the GDP blend variable in the quota formula[51].

It is impossible to predict the outcome of the quota review negotiations at this stage. What is, however, clear from the different views above is that the **deliberations are set to be difficult and likely protracted**, going beyond purely economic considerations. The Fund's overall funding capacity as well as its credibility to account for relative changes in the world economy will be at stake.

Parliamentary scrutiny

Quotas are a key part of the institutional architecture of the IMF and a determinant of the distribution of power between the member countries. The following paragraphs concern the **parliamentary dimension** of the IMF's work in a broad sense, thus including quota review decisions.

The Fund is often criticised for its lack of democratic accountability[52]. In principle, it is up to the member countries to define their mechanisms of parliamentary scrutiny. The most prominent example is the US, whose Congress acts as a *de facto* **'parliament of the IMF'**, being the only democratically elected body with a direct influence over key decisions at the Fund. The 14th review is illustrative in this sense, being stalled for five years before Congress giving its green light. This influence is certainly a result of the US veto power, but also of the country's internal institutional set-up[53].

The responsibility to instruct the US Governor and Executive Director at the IMF is today delegated to the Department of Treasury[54]. The US Congress, however, has tremendous power over US actions within the IMF but also decisions vital for the Fund itself[55]. Since the inception of the IMF, US participation is regulated by the Bretton Woods Agreements Act[56] which, among other, prohibits changes of the US quota without authorisation of the Congress. Combined with the US veto power, this in effect means that any changes to the overall Fund resources and quota distributions need to be approved by Congress. It may also issue congressional directives to the Secretary of Treasury in order to steer the instruction of the US representative to the IMF. These include policy mandates (advocating for certain policies at the IMF), directed votes (abstaining or voting against programmes in certain countries) and reporting requests for the Department of Treasury on various topics[57].

The UK has a similar arrangement where quota changes and borrowing arrangements need to be approved by a resolution of the House of Commons[58]. Instances of more proactive parliamentary oversight have occurred after 1999, following the 11th general quota review which increased overall quotas resources by 45%, in some EU countries such as France, Germany, Ireland and Italy[59].

The **Parliamentary Network on the World Bank and IMF** is a platform that enables parliamentarians from countries worldwide to 'advocate for increased accountability and transparency in International Financial Institutions'[60]. However, some have questioned the network's effectiveness and public reach[61]. It has enjoyed increased involvement and access to the IMF, but it lacks concrete tools for parliamentary oversight, such as those at the disposal of national legislatures *vis-à-vis* governments.

At the level of the **euro area**, appropriate scrutiny is largely absent. The Treaty on the Functioning of the European Union includes special provisions applicable only to euro area countries for issues pertaining to the representation of the Economic and Monetary Union (EMU) in international financial institutions. Article 138 gives the power to the Council, based on proposal of the Commission and after consulting the ECB, to establish common positions of the euro area. It also gives the possibility, under the same institutional procedure, to take steps to ensure unified representation in organisations such as the IMF.

Efforts to **unify the representation of the euro area** in the IMF have been made by the Commission, following calls from the European Parliament[62]. In 2015, it presented a roadmap based on a three-phase approach leading up to a single seat for the euro area by 2025[63]. To operationalise the roadmap, a proposal for a Council decision was made[64]. However, despite the Commission's call in 2017 to accelerate the adoption, the proposal has not progressed past the working party level in the Council. Most recently, in December 2018, the Commission reiterated the need for the euro area to speak with 'one voice' in international financial institutions, within the current Treaty framework[65].

The Treaty does not give the **European Parliament** a formal role in the decision-making process. IMF membership has (national) fiscal consequences and it is up to the national parliaments to scrutinise, within their institutional frameworks, their governments' actions in the Council and in the IMF. However, this **dispersion of parliamentary scrutiny** led to the situation where some national parliaments are either not able (due pre-existing national provisions concerning their countries' participation in the IMF) or not in a position (due to the limited power determined by the individual quota shares of their countries) to undertake real parliamentary scrutiny of their governments' actions within the IMF. Typically, national parliaments wield their influence through the 'power of the purse' which is particularly important for quota increases. However, this is often based on purely national financial and political considerations and is disconnected from questions of strategic importance for the Fund itself.

The European Parliament adopted a number of resolutions calling for greater democratic accountability in the euro area representation in international financial institutions[66]. Over the years, it was also able to garner a degree of **informal influence**. Its Committee on Economic and Monetary Affairs (ECON) is responsible for 'the international monetary and financial system (including relations with financial and monetary institutions and organisations)'[67]. IMF staff and Executive Directors have shown increased willingness to cooperate with ECON[68] and this relationship has intensified since the beginning of the financial crisis. ECON regularly sends a delegation of MEPs to the IMF Annual Meetings[69]. Since 2016, ECON organised a number of *in camera* meetings with EU Executive Directors. Also, as part of its Financial Assistance Working Group, ECON discusses the implementation of financial assistance programmes in the euro area with EU institutions and IMF representatives[70]. With the opening of the new Brussels office, IMF staff has reached out to the Committee on a more regular basis, notably to include relevant ECON activities in the staff report of the

Article IV consultation for the euro area. The Brussels office also organised joint seminars with European Parliament staff, in particular on the World Economic Outlook.

However, the **lack of formalised democratic accountability** with concrete oversight powers for the European Parliament, as far as issues of common importance for the euro area are concerned, raises questions regarding future developments with regards to the external representation of the euro area. The 2015 Commission roadmap only refers to keeping the European Parliament 'fully informed' about future Eurogroup statements at the IMF Spring and Annual meetings[71]. The accompanying legislative proposal included regular reporting by the Commission to the Parliament on 'coordination on euro area matters in the IMF and other international financial institutions'[72]. However, without changes to primary or secondary EU legislation, or interinstitutional agreements giving more tangible oversight power to the European Parliament, a unified representation at the IMF would not be matched by a corresponding democratic scrutiny. Since actions under such unified representation would be of common concern for the euro area, there could be a case for parliamentary scrutiny at EU level.

The crisis and the provision of financial assistance programmes by the so-called 'Troika' (Commission, ECB and IMF) to euro area countries prompted a re-think of the current institutional structure and parliamentary oversight thereof. In 2013, the '**two-pack' regulations** entered into force with the aim of creating enhanced surveillance capacity within the EMU. Regulation 472/2013 detailed provisions for countries experiencing difficulties. The European Parliament adopted a report[73] in 2014 establishing its view on the matter. In this context, the relevance of the regulation is that it established an equal footing between the European Parliament and the national parliaments on a number of reporting obligations of the Commission but also the IMF, with respect to enhanced surveillance and macroeconomic adjustment programmes to euro area countries. For instance, during enhanced surveillance, the competent committee of the European Parliament 'may invite representatives of the Commission, the ECB and the IMF to participate in an economic dialogue'[74]. As such, the regulation provides a **model** for clear parliamentary oversight at national and EU level[75] which could be expanded from the 'receiving end' of IMF support to a multitude of actions of EU/euro area representatives in such multilateral institutions.

1 Giovannini, A., Gros, D., Ivan, P., Kaczynski, P. M., Valiante, D. (2012) *External Representation of the Euro Area*. Study for the Committee on Economic and Monetary Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg.

2 Koops, J.A. and Tolksdorf, D. (2015) *The European Union's Role in International Economic Fora Paper 4: The IMF*, Study for the Committee on Economic and Monetary Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg.

3 Articles of Agreement, Article XIII, Section 2(b). The IMF is one of the world's largest official holders of gold, currently holding 90.5 million ounces, valued at SDR 82.8 billion https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/14/42/Gold-in-the-IMF.

4 The role of the basic votes is to ensure adequate representation for small countries which would otherwise have very limited say. With this goal in mind, basic votes were almost tripled during the 2008 quota reform and are now set at 5.502 % of total votes. Source: IMF (2017a) *IMF Quotas Factsheet*, Washington, D.C. https://www.imf.org/~/media/Files/Factsheets/English/quotas.ashx.

5 IMF (2017a) *IMF Quotas Factsheet*, Washington, D.C. https://www.imf.org/~/media/Files/Factsheets/English/quotas.ashx.

6 Own calculations based on IMF (2018a) *Updated IMF Quota Data—July 2018, 2018*, Washington, D.C.

7 For instance, Koops, J.A. and Tolksdorf, D. (2015) (full title in endnote 2), p 58.

8 For more details on coordination mechanisms of EU/euro area views within the IMF, see Koops, J.A. and Tolksdorf, D. (2015) (full title in endnote 2).

9 For more information, see https://www.imf.org/external/np/sec/memdir/eds.aspx. As part of the last quota review, advanced European countries have committed to reduce the number of their Executive Board members by two.

10 Own illustration partly based on (i) Martinez-Diaz, L. (2008) Executive Boards in International Organizations: Lessons for Strengthening IMF Governance, Background Paper, Independent Evaluation Office of the International Monetary Fund, Washington, D.C., and (ii) Koops, J.A. and Tolksdorf, D. (2015) (full title in endnote 2). Note: the diagram depicts the general decision-making process. For specific issues, such as programme surveillance, the diagram would take a different shape. For instance, the European Parliament would have some direct oversight powers towards the Commission, ECB and IMF.

11 IMF (2017a) *IMF Quotas Factsheet*, Washington, D.C. https://www.imf.org/~/media/Files/Factsheets/English/quotas.ashx.

12 Schadler, S. (2016) *Living with Rules: The IMF's Exceptional Access Framework and the 2010 Stand-By Arrangement with Greece*, Background Paper, Independent Evaluation Office of the International Monetary Fund, Washington, D.C.

13 IMF (2015) *IMF Executive Board Approves Exceptional Access Lending Framework Reforms*, Press Release No. 16/31, January 29, 2015, Washington, D.C. https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1631.

[14] This amount is overstated as it does not take into account all elements such as, for instance, the prudential balance the Fund needs to keep, set at 20% of quotas of members participating in IMF financial transactions. Also, member countries' commitments under the borrowing arrangements are subject to certain conditions which might not be fulfilled at all times.

[15] IMF (2019) *Financial Statements for the quarters ended October 31, 2018, and 2017*, Washington, D.C.

[16] IMF (2019) *Financial Statements for the quarters ended October 31, 2018, and 2017*, Washington, D.C.

[17] Austria, Belgium, Cyprus, Danmarks Nationalbank, Deutsche Bundesbank, Finland, France, Italy, Luxembourg, Netherlands, National Bank of Poland, Banco de Portugal, Spain and Sveriges Riksbank. This list takes into account the ongoing procedure of United Kingdom's withdrawal from the EU under Article 50, TFEU.

[18] IMF (2019) *Financial Statements for the quarters ended October 31, 2018, and 2017,* Washington, D.C..

[19] Oesterreichische Nationalbank, National Bank of Belgium, Czech National Bank, Danmarks Nationalbank, Bank of Finland, France, Deutsche Bundesbank, Bank of Italy, Luxembourg, Central Bank of Malta, De Nederlandsche Bank NV, Narodowy Bank Polski, Slovak Republic, Bank of Slovenia, Spain and Sveriges Riksbank. Note that two additional credit arrangements (Greece and Ireland) have not yet become effective. This list takes into account the ongoing procedure of United Kingdom's withdrawal from the EU under Article 50, TFEU.

[20] IMF (2019) *Financial Statements for the quarters ended October 31, 2018, and 2017,* Washington, D.C..

[21] Note: 'borrowing arrangements' include GAB, Associated Agreement with Saudi Arabia, NAB and bilateral borrowing arrangements (2009, 2012 and 2016 borrowing frameworks). Sources: Own calculations based on World Bank (world GDP), IMF Financial Statistics database (quotas) and IMF Financial Statements 1998-2017 (GAB, NAB and bilateral borrowings).

[22] In 2009, the IMF concluded and started using bilateral borrowing arrangements worth USD 250 billion which were later integrated into the NAB.

[23] Some indications of the risk of not extending borrowing arrangements are given in Truman, E.M. (2018) *IMF Quota and Governance Reform Once Again*, Peterson Institute for International Economics, Policy Brief 18-9, Washington, D.C., p. 4. https://piie.com/system/files/documents/pb18-9.pdf.

[24] ECB (2018) *A quantitative analysis of the size of IMF resources*, Occasional Paper Series No 213, Frankfurt am Main, Germany. https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op213.en.pdf.

[25] Mühlich, L. and Fritz, B. (2018) 'Safety for Whom? The Scattered Global Financial Safety Net and the Role of Regional Financial Arrangements', *Open Economies Review*, 29(5), pp. 981-1001.

[26] IMF (2016) *IMF Articles of Agreement*, Washington, D.C. https://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf.

[27] IMF (2008) *Reform of Quota and Voice in the International Monetary Fund-Draft Report of the Executive Board to the Board of Governors*, Washington, D.C.

[28] IMF (2000) *Report to the IMF Executive Board of the Quota Formula Review Group*, Washington, D.C, para 24.

[29] See, if instance, Truman, E.M. (2012) *Making Sense of the IMF Quota Formula*, Peterson Institute for International Economics, Washington, D.C. https://piie.com/blogs/realtime-economic-issues-watch/making-sense-imf-quota-formula.

[30] Own calculations based on IMF (2018a) *Updated IMF Quota Data—July 2018, 2018*, Washington, D.C.

[31] IMF (2018a) *Updated IMF Quota Data—July 2018, 2018*, Washington, D.C.

[32] Own calculations based on IMF (2018a) *Updated IMF Quota Data—July 2018, 2018*, Washington, D.C.

[33] Own calculations based on IMF (2018a) *Updated IMF Quota Data—July 2018, 2018*, Washington, D.C.

[34] IMF (2010a) *Fourteenth General Review of Quotas—Realigning Quota Shares: Initial Considerations*, Washington, D.C, p. 9.

[35] IMF (2010b) *IMF Quota and Governance Reform—Elements of an Agreement.* https://www.imf.org/external/np/pp/eng/2010/103110.pdf.

[36] An earlier study explores the options for improving the external representation of the euro area, including simulations of collective euro area voting shares: Giovannini, A., Gros, D., Ivan, P., Kaczynski, P. M., Valiante, D. (2012) (full title in endnote 1).

[37] IMF (2009) *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund*, Press Release No. 09/139, April 25, 2009, Washington, D.C.

[38] IMF (2010c) *IMF Board of Governors Approves Major Quota and Governance Reforms*, Press Release No. 10/477, December 16, 2010, Washington, D.C. https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10477.

[39] IMF (2010b) *IMF Quota and Governance Reform—Elements of an Agreement.* https://www.imf.org/external/np/pp/eng/2010/103110.pdf.

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58 See 'International Monetary Fund Act 1979' https://www.legislation.gov.uk/ukpga/1979/29/pdfs/ukpga_19790029_en.pdf.

59 Eggers, A., Florini, A. and Woods, N. (2005) (full title in endnote 52).

60 Source: official website http://www.parlnet.org/about. Note: the ECON Committee receives invitations for the IMF Annual Meetings through the Parliamentary Network on the World Bank and IMF.

61 Koops, J.A. and Tolksdorf, D. (2015) (full title in endnote 2), p. 66.

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(ii) European Parliament resolution of 17 December 2015 on completing Europe's Economic and Monetary Union (2015/2936(RSP)), para 8 http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2015-0469; and
(iii) European Parliament resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies (2015/2060(INI)) http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2016-0108&language=EN&ring=A8-2016-0027.

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68 Under the condition that the meetings take place in an *in camera* setting.

69 This practice started in 2008. ECON Members are invited via the Parliamentary Network on the World Bank and IMF.

70 Also, several *in camera* meetings with IMF staff were held specifically related to the financial assistance programme to Greece.

71 European Commission (2015a) (full title in endnote 63).

72 European Commission (2015b) (full title in endnote 64).

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75 Future research could assess the awareness, use and impact of the regulation at EU and national level.

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