

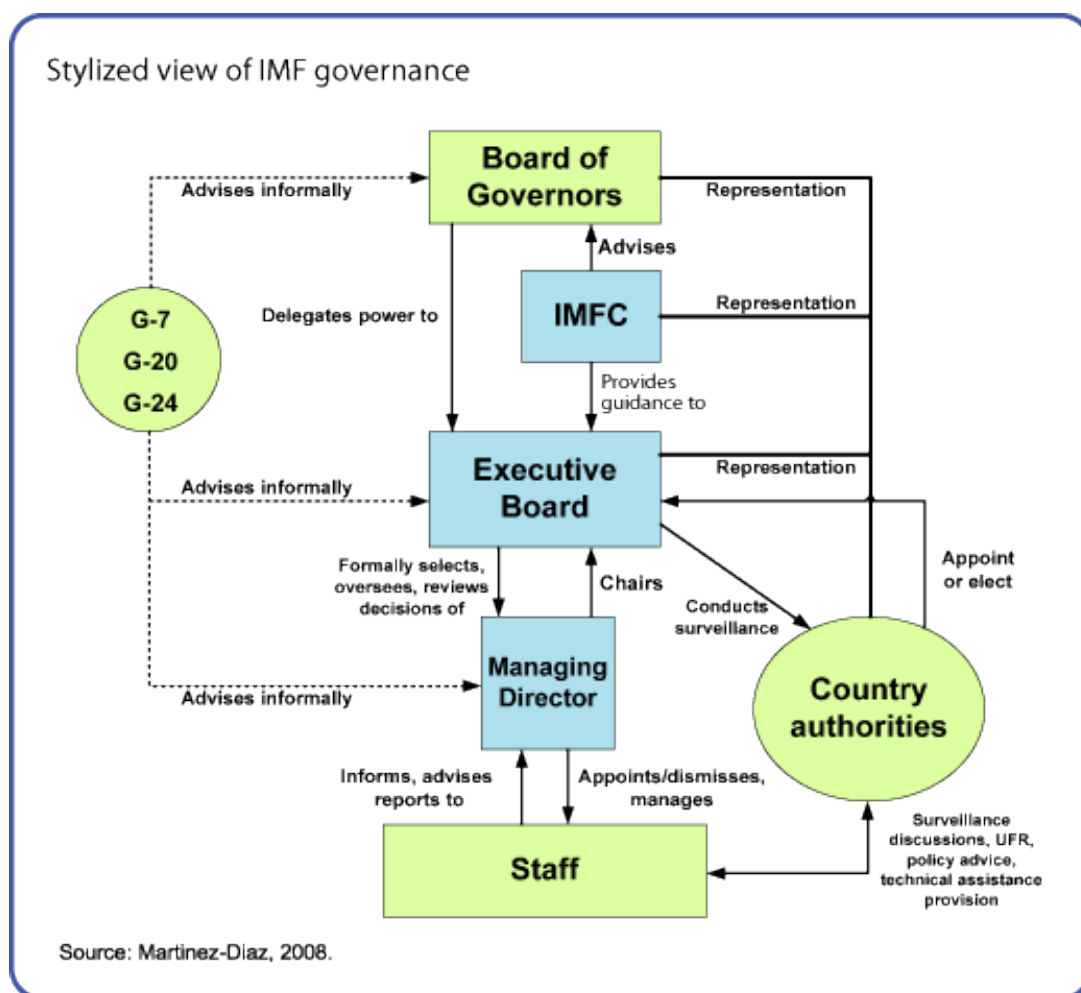


# INTERNATIONAL MONETARY FUND FACTSHEET

## How the IMF Makes Decisions

*The IMF has evolved along with the global economy throughout its 70-year history, allowing the organization to retain a central role within the international financial architecture. Unlike the General Assembly of the United Nations, where each country has one vote, decision making at the IMF was designed to reflect the relative positions of its member countries in the global economy. The IMF continues to undertake reforms to ensure that its governance structure adequately reflects fundamental changes taking place in the world economy. Current reforms are intended to reflect the larger role that emerging market and developing economies now play in the global economy.*

The diagram below provides a stylized view of the IMF's current governance structure.



### Board of Governors

The **Board of Governors** is the highest decision-making body of the IMF. It consists of one governor and one alternate governor for each member country. The governor is appointed by the member country and is usually the minister of finance or the head of the central bank.

While the Board of Governors has delegated most of its powers to the IMF's Executive Board, it retains the right to, among other things, approve [quota](#) increases, [special drawing right \(SDR\) allocations](#), the admittance of new members, compulsory withdrawal of members, and amendments to the [Articles of Agreement](#) and [By-Laws](#).

The Board of Governors also elects or appoints Executive Directors and is the ultimate arbiter on issues related to the interpretation of the IMF's Articles of Agreement. Voting by the Board of Governors may take place either by holding a meeting or remotely (through the use of courier services, electronic mail, facsimile, or the IMF's secure online voting system). Decisions are made by a majority of votes cast, unless otherwise specified in the Articles of Agreement.

The Boards of Governors of the IMF and the World Bank Group normally meet once a year, during the [IMF–World Bank Annual Meetings](#), to discuss the work of their respective institutions. The [Annual Meetings](#), which take place in September or October, have customarily been held in Washington for two consecutive years and in an alternate member country in the third year.

### **Ministerial Committees**

The Board of Governors is advised by two ministerial committees, the [International Monetary and Financial Committee](#) (IMFC) and the [Development Committee](#).

The IMFC has 24 members, drawn from the pool of 188 governors, and represents all member countries. Its structure mirrors that of the Executive Board and its 24 constituencies. The IMFC meets twice a year, during the [IMF–World Bank Spring and Annual Meetings](#), to discuss the management of the international monetary and financial system, proposals by the Executive Board to amend the Articles of Agreement, or any other matters of common concern affecting the global economy. The Committee issues a communiqué summarizing its views following each meeting, providing guidance for the IMF's work program. The IMFC operates by consensus and does not conduct formal votes.

The Development Committee is a joint committee, tasked with advising the Boards of Governors of the IMF and the World Bank on issues related to economic development in emerging market and developing countries. The committee has 25 members (usually ministers of finance or development). It represents the full membership of the IMF and the World Bank and mainly serves as a forum for building intergovernmental consensus on critical development issues.

### **The Executive Board**

The IMF's 24-member [Executive Board](#) conducts the daily business of the IMF and exercises the powers delegated to it by the Board of Governors, as well as those powers conferred on it by the Articles of Agreement. Five Executive Directors are appointed by the member countries holding the five largest quotas (currently the United States, Japan, Germany, France, and the United Kingdom), and 19 are elected by the remaining member countries. Under reforms currently being finalized, all 24 Directors will be elected by the member countries.

The Board [discusses](#) all aspects of the Fund's work, from the IMF staff's annual health checks of member countries' economies to policy issues relevant to the global economy. The Board normally makes decisions based on consensus, but sometimes formal [votes](#) are

taken. The [votes of each member](#) equal the sum of its basic votes (equally distributed among all members) and quota-based votes. Therefore, a member's [quota](#) determines its voting power. Following most formal meetings, the Board summarizes its views in a document known as a Summing Up. Informal meetings may also be held to discuss complex policy issues at a preliminary stage.

## IMF Management

The IMF's Managing Director is both chairman of the IMF's Executive Board and head of [IMF staff](#). The Managing Director is [appointed](#) by the Executive Board for a renewable term of five years and is assisted by a First Deputy Managing Director and three Deputy Managing Directors. The IMF's Governors and Executive Directors may [nominate](#) nationals of any of the Fund's member countries for the position of Managing Director. Although the Executive Board may select a Managing Director by a majority of votes cast, the Board has in the past made such appointments by consensus. For the [2011 selection](#), the Executive Board adopted a procedure that allowed the selection of the next Managing Director to take place in an open, merit-based, and transparent manner.

## Governance reform

The Fund's governance structure must keep pace with the rapidly evolving world economy to ensure it remains an effective and representative institution of all of its 188 member countries. To secure this objective, in December 2010 the Board of Governors of the IMF approved a package of [far-reaching reforms](#) of the Fund's quotas and governance. These reforms, which have yet to become effective (see further below), represent a major realignment in the ranking of quota shares that better reflects global economic realities, and a strengthening in the Fund's legitimacy and effectiveness. The elements of the reform include

- **A quota increase and shift in shares.** When it is ratified, the 14<sup>th</sup> General Review of Quotas will result in an unprecedented doubling of quotas and a major realignment of quota and voting shares to emerging and developing countries (with a more than 6 percent quota shift to dynamic emerging market and developing countries and under-represented countries).
- **Protecting the voting power of the poorest.** The quota shares and voting power of the poorest members will be preserved.
- **Quota formula and next review.** A comprehensive [review of the current quota formula](#) and bringing forward the completion of the 15<sup>th</sup> General Review of Quotas to January 2014.<sup>1</sup>
- **A new composition and more representative Board.** The 2010 reforms also include an amendment to the Articles of Agreement that would facilitate a move to a more representative, all-elected Executive Board. Once the quota and governance reforms are in effect, there will be two fewer Board members from advanced European countries, and

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<sup>1</sup>Work on the 15th General Review has been delayed because of the delay in the effectiveness of the 14<sup>th</sup> General Review. The Executive Board proposed, and the Board of Governors agreed on, two extensions of the deadline for the completion of the 15<sup>th</sup> Review, most recently to December 15, 2015, the deadline under the Articles of Agreement.

all Executive Directors will be elected rather than appointed, as some are now. The size of the Board will remain at 24, and its composition will be reviewed every 8 years.

For the proposed amendment on Reform of the Executive Board to enter into force, acceptance by three-fifths (or 113) of the Fund's 188 members having 85 percent of the Fund's total voting power is required. As of end-August, 2015, 47 members having 77.2 percent of total voting power had accepted the amendment, short of the required 85 percent threshold. For the quota increases under the 14<sup>th</sup> General Review of Quotas to become effective, the entry into force of the proposed amendment to reform the Executive Board is required,<sup>2</sup> as well as the consent to the quota increase by members having not less than 70 percent of total quotas (as of November 5, 2010). As of end-August, 2015, 165 members having 80.2 percent of total quota had consented (see [Acceptances of the Proposed Amendment of the Articles of Agreement on Reform of the Executive Board and Consents to 2010 Quota Increase](#) for the most recent status of the 2010 reforms).

The IMF remains fully committed to pursuing the implementation of the governance reforms that have been agreed to make the Fund an even more effective and representative institution.

### **Good governance**

The Fund actively promotes good governance within its own organization. It has adopted a number of integrity institutions, including a [Code of Conduct for Staff](#)—bolstered by financial certification and disclosure requirements, and sanctions—a similar [Code of Conduct for Members of the Executive Board](#), and an [Integrity Hotline](#) offering protection to “whistleblowers.” The IMF [Ethics Office](#) advises the institution and its staff on ethics issues, inquires into alleged violations of rules and regulations, and oversees the ethics and integrity training program for all staff members. Accountability arrangements have also been put in place to ensure effective implementation of the strategic priorities of the institution.

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<sup>2</sup> The third condition for quota increases to become effective was met with the entry into force on March 3, 2011 of the Voice and Participation Amendment (Sixth Amendment) of the Fund's Articles of Agreement.