

POLICY BRIEF



Fixing The Foundations: G20 Priorities for Equitable IMF Transformation

2025

Ayoub Menzli, PhD Candidate, Roma Tre University (Italy)
Zaineb Belhassen, Student, University of Carthage (Tunisia)



03

Financing for Sustainable Development

Abstract

This policy brief critically examines the structural inequities within the IMF's governance framework, highlighting how its design from the post-World War II period continues to disproportionately favour developed economies over those in the Global South. Historically shaped by colonial-era power imbalances, the IMF's weighted voting mechanism binds a country's financial contributions, access to resources, and voting power in a manner that entrenches historical imbalances. Such an arrangement not only distorts decision-making by granting a de facto veto to powerful nations but also limits the borrowing capacity of low-income countries facing urgent social, economic, and environmental challenges.

While this brief advances ambitious, structurally transformative reforms that are politically sensitive, it simultaneously proposes a set of more politically feasible options that should be understood not as substitutes, but as incremental steps toward the same long-term objective of equitable governance.

The brief argues that these enduring governance flaws amplify vulnerabilities in today's increasingly interconnected and climate-vulnerable world. However, any effort at remediation must contend with an uncompromising geopolitical climate: the G20's deliberations are now marked by sharpened great-power rivalry, contested sanctions regimes, and discordant approaches to climate and industrial policy, all of which impede the formation of durable coalitions for reform. Delayed responses in issuing Special Drawing Rights (SDRs), along with punitive surcharges imposed on heavily indebted countries, exemplify policies that undermine timely and fair crisis management. Additionally, the disproportionate dominance of high-income nations within mixed IMF constituencies further weakens efforts toward genuine democratisation and balanced global representation.

In response, the brief sets out a package of transformative and incremental recommendations for the G20. Key proposals include delinking voting power from financial contributions and resource access, decoupling SDR allocations from IMF quotas in favour of a needs-based, automatic mechanism triggered by objective criteria, and reforming the quota formula to incorporate climate responsibility and vulnerability. Additional measures advocate for a representative leadership selection process transitioning to a transparent, merit-based, and regionally rotating system and the abolition of punitive surcharges that burden vulnerable nations. Finally, the brief emphasises the strategic role of the G20 in overcoming geopolitical resistance and leveraging emerging global coalitions to modernise the multilateral financial architecture. By advancing these reforms, the G20 can help create a more inclusive, responsive, and sustainable IMF that meets the complex challenges of the 21st century.

Keywords: IMF, Governance, SDR, Quota, Surcharges, Climate

Diagnosis

The IMF exhibits a governance model that still reflects mid-twentieth-century geopolitical power imbalances. At its inception, many low- and middle-income countries were not even at the table to negotiate their quota shares or voting rights; instead, the US and a handful of other industrialised nations effectively determined the structure of governance. Crucially, quota-based weighted voting ties financial contributions, resource access, and overall decision-making power to each member's economic size. This system, often framed as the product of a neutral formula, has been politically constructed from its inception¹ In 1943, economist Raymond Mikesell was instructed by US negotiator Harry Dexter White to assign pre-set quotas: \$2.9 billion for the US, half that for the UK, slightly less for the Soviet Union, and even less for China.² This predetermined distribution of power was later retrofitted with a formula to appear objective³ Despite subsequent revisions, these structural imbalances persist, enabling advanced economies to retain outsized influence while constraining the voice and agency of developing countries within IMF governance.

Under the current system, decisions on quotas, allocation SDRs, or major governance reforms require 85% of the vote, thereby granting a single country (the US) an effective veto. Similarly, G7 states acting in concert without the US also hold de facto veto power. This issue is compounded by the phenomenon of “constituencies,” whereby multiple countries share an Executive Director whose vote is cast in a single bloc.

¹ Woodward, David. *IMF voting reform: need, opportunity and options*. Vol. 49. UN, 2007.

² Mikesell, Raymond. *The Bretton Woods Debates: A Memoir. Essay in International Finance No. 192*. Princeton, NJ, Princeton University.

³ *Ibid*,

The largest shareholders have long held the privilege of directly appointing their own Executive Directors. Currently, the US, Japan, China, Germany, France, Saudi Arabia, and the UK each appoint an executive director. The remaining Executive Directors are elected by the other 176 member states, according to a complex and peculiar system of division into 18 constituencies. India finds itself at the head of a constituency of four states that together hold 3.05% of the voting rights while Belgium is at the head of a constituency of 16 states with a combined 5.46% of the voting rights. Because larger economies dominate the vote share in these mixed groupings, the priorities of smaller members often go unheard.⁴ Moreover, according to an unwritten rule, the IMF Director is always a European, further reinforcing this power imbalance.

Beyond governance, the IMF's quota formula has broad practical ramifications. Quotas define a country's voting share and potential access to IMF resources while also setting the amount each member contributes. Since advanced economies rarely borrow, most of the Fund's lending capacity effectively remains earmarked for them despite their low reliance on IMF assistance while poorer countries face tight conditionalities and restrictive borrowing limits. Consequently, meaningful reform requires decoupling these three functions to ensure that countries most in need can borrow without sacrificing policy autonomy, while advanced economies bear a proportionate share of fiscal responsibility for global stability. The shortcomings of the current system have become increasingly visible amid intensifying climate risks and greater global shocks. Many low and middle-income states, which historically contributed little to CO₂ emissions, bear disproportionate climate impacts, yet their capacity to influence IMF policy is minimal. Meanwhile, crisis-response measures such as SDRs allocations have historically been slowed by drawn-out negotiations and weighted voting hurdles. During the 2008 financial crisis, it took 11 months to secure an SDR issuance; in

⁴ See Rustomjee (2005) and Buirra (2003)

response to COVID-19, 17 months elapsed. An automatic or rule-based mechanism would streamline liquidity support during emergencies. However, SDR allocations are also tied to quota shares, meaning wealthier nations automatically receive the lion's share, even if they do not need the funds.

Calls for reform have grown amid fears of fragmentation in global financial governance. Driven in part by frustration over IMF governance inertia, many developing countries have signalled they may seek alternatives if the Bretton Woods framework remains unresponsive to twenty-first-century priorities such as equitable recovery, climate adaptation, and broader representation. Against this backdrop, the G20 stands out as an important forum for reform, convening the world's leading and emerging economies with the weight to reshape existing rules. Any substantial change to the IMF's governance would require broad political backing to reach the 85% threshold at the Board of Governors. One compromise already on the table is the simplified quota formula proposed by Boston University's Global Development Policy Center, which raises the weight of GDP-PPP and drops distortive variables so that emerging-market shares – particularly China's – better reflect current economic realities, without disturbing the United States's veto or granting one to any new shareholder (Colodenco et al., 2025). Because it leaves the existing veto structure intact, this option is widely viewed as the most politically feasible foundation for a consensus deal. Yet it must be stressed that it must be presented only as a first step toward fuller democratisation, not an end-state, since the Fund still requires far deeper structural transformation. In this sense, the G20 is uniquely positioned to broker compromises that increase the voting power of underrepresented nations, voting power from access to financing, and establish equitable crisis-response measures such as targeted SDR allocations. For the G20, seizing the mantle of reform is not just a strategic option but a necessity, lest the legitimacy of the multilateral financial system continue to erode in the face of evolving global challenges.

Recommendations

- **Separate voting power from financial contributions and access to resources**

The G20 should push for delinking voting power from financial contributions and access to resources, ensuring that allocation depends on need rather than economic might. In this reformed model, major economies and top cumulative CO₂ emitters would contribute more financially, reflecting both their responsibility for climate damage and their capacity to pay. Meanwhile, the most climate-vulnerable and least responsible for cumulative emissions often low-income nations would have access to a larger share of IMF resources to support adaptation and development. At the same time, voting power should be allocated through more democratic principles, and be less dependent on financial contributions; if such a democratic overhaul proves infeasible, at minimum, voting power must be separated from access to IMF financing to prevent wealthier states from disproportionately influencing lending decisions.

- **Decouple Special Drawing Rights from Quotas**

To achieve a needs-based approach to global liquidity, the G20 could champion decoupling SDRs from IMF quota shares. As recommended by the UN's High-Level Advisory Board on Effective Multilateralism, amending the IMF's Articles of Agreement could allow selective SDR allocations targeting the most vulnerable countries through a multi-vulnerability index rather than privileging large economies. The G20 should also support an automated mechanism for issuing SDRs either countercyclically or in response to systemic shocks would bypass protracted negotiations and deliver timely liquidity when global crises emerge.⁵

⁵ UN. *Secretary-General, International financial system and development: report of the Secretary-General, [New York] : UN, 13 July 2023.* <https://digitallibrary.un.org/record/4018306?v=pdf>

- Systemic shocks: recessions and capital flow reversals
Clear, rules-based triggers for recessions (eg, two consecutive quarters of negative global growth) and capital flow reversals (eg, when major central banks collectively raise interest rates by 100 bps or more over 12 months) would ensure that allocations reach vulnerable economies swiftly.⁶
- Force-Majeure Allocation
Under the proposed model by Paduano (2022),⁷ relevant UN agencies such as the WHO (for pandemics), the WFP (for famines), and the UNEP (for climate-related disasters) would issue formal declarations identifying force majeure events or global emergencies. The IMF could then utilise these declarations as a trigger for automatic SDR issuances, ensuring that resources are allocated promptly and objectively to countries most in need.

- **Realign Quota and Votes**

- Increase basic votes
The G20 should back the returning of basic votes to at least their original proportion (11%) or raising them to 20% of total votes, mirroring the Asian Development Bank's approach. This move would bolster smaller members' influence, correct decades of underrepresentation, and strengthen the IMF's legitimacy.
- Incorporate climate-related variables and population in the quota formula.
The G20 should champion a new quota formula that accounts for climate responsibility and development needs alongside economic size.

⁶ Paduano, Stephen. "SDRs and The Global Financial Architecture: History, Economics, Mechanics—And a Return to the Original System." LSE Global Economic Governance Commission, Working Paper. <https://www.lse.ac.uk/ideas/Assets/Documents/project-docs/GEGC-Working-Paper-Nov-22.pdf> (2022)

⁷ Bretton Woods Project. *Reconceptualising Special Drawing Rights as a Tool for Development Finance*. London: Bretton Woods Project, October 2, 2023. <https://www.brettonwoodsproject.org/2023/10/reconceptualising-special-drawing-rights-as-a-tool-for-development-finance/>.

Incorporating indicators like cumulative CO₂ emissions and vulnerability would give climate-threatened developing countries a greater voice.

- Simplify the IMF quota formula

A more politically feasible change to the formula would be to use the BU GDPC formula⁸ ($CQS = (0.85 \text{ GDP}_{\text{blended}} + 0.15 \text{ Variability})^{0.903 \text{ Compression Factor}}$).

Using this formula with the current basic votes of 5.5% would not eliminate the US veto power (15.03%), would make China's share more representative (14.82%) and would increase the share from 32.04% to 36.2%.

- **Select representative leadership**

The G20 should advocate for abolishing the “Gentleman’s Agreement,” under which a European has always led the IMF. Instead, top leadership should be chosen via a transparent, merit-based, and regionally rotating process that welcomes candidates from all member states. Likewise, the Executive Board should be fully elected, with more seats for developing countries and mechanisms (e.g., capping constituency sizes) to prevent larger economies from dominating “mixed” constituencies.

- **End punitive surcharges**

Recent suggestions to re-channel surcharge revenues toward concessional lending further entrench an unjust system, effectively demanding that already over-indebted countries finance the IMF’s reserves and, by extension, subsidise the shortfalls of wealthy contributors. Relying on those least able to pay undermines the Fund’s core mission of providing counter-cyclical support. The G20 should call for eliminating surcharges altogether, rather than funnelling them

⁸ Colodenco, Maia, Maria Florencia Asef Homo, and Marina Zucker-Marques. A Challenging Imperative: IMF Reform, the 17th Quota Review and Increasing Voice and Representation for Developing Countries. Boston: Boston University Global Development Policy Center, April 2025. <https://www.bu.edu/gdp/files/2025/04/GEGI-GCI-Quotas-Report-2025-FIN.pdf>.

into concessional schemes, would ensure that these vulnerable countries are not compelled to bear the costs that wealthier nations refuse to shoulder, thus upholding the principle of equitable burden-sharing.

- **Navigate geopolitical challenges**

Stressing the peril of fragmentation if reform is stalled is key to overcoming shareholder resistance. Growing dissatisfaction among Global South leaders – as evidenced by the BRICS’s expanding membership and their construction of parallel financial arrangements – underscores a readiness to move beyond the Bretton Woods architecture should governance inertia persist. Recent communiqués from disparate capitals convey similar disillusionment, making clear that alternatives will be pursued if the IMF proves incapable of adaptation. Whether a fully fair and equitable transformation of the Fund is attainable remains contested: its very design fuses financial contribution with political voice, and entrenched veto powers create formidable obstacles. Yet incremental breakthroughs – such as quota-formula simplification, a significant rise in basic votes, or a modest rebalancing of Executive-Board seats – can still re-orient the institution toward greater legitimacy and open pathways for more profound change. By leveraging the dissatisfaction of emerging coalitions and foregrounding the system-wide costs of inaction, progressive groups within the G20 can assemble the critical mass needed for at least a more equitable IMF, even if perfect parity must await a deeper reconfiguration of global governance norms.

T20 South Africa Convenors



The Institute for Global Dialogue (IGD)



The South African Institute of International Affairs (SAIIA)



The Institute for Pan-African Thought and Conversation (IPATC)

© T20 South Africa and the original authors

This publication is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License (CC BY-NC-ND 4.0).



This license enables reusers to copy and distribute the material in any medium or format in unadapted form only, for noncommercial purposes only, and only so long as attribution is given to the creator.

To view a copy of this license, visit <https://creativecommons.org/licenses/by-nc-nd/4.0/>

For publication enquiries, please contact t20@t20southafrica.org

Website: www.t20southafrica.org