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The Chair's Concluding Remarks
Sixteenth General Review of Quotas—Adequacy of Fund Resources—
Initial Considerations
Committee of the Whole on Review of Quotas Meeting 21/1
September 1, 2021

Executive Directors welcomed the first Committee of the Whole meeting on the 16th General Review of Quotas. They appreciated the discussion on the analytical framework to assess the adequacy of Fund resources over the medium term and to help inform judgment on the appropriate size of the Fund and a possible quota increase. Directors also looked forward to the upcoming discussion on the quota formula, realignment of quota shares, and update of the quota database. As stressed by many Directors, these issues are closely interlinked and will ultimately need to be agreed as a package.

In line with the guidance provided by the Board of Governors to the Executive Board in its Resolution 75-1, Directors reiterated their commitment to complete the 16th Review no later than December 15, 2023. They also reaffirmed the IMFC's commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the global financial safety net (GFSN).

Directors agreed that the analytical framework, as set out in the staff paper, provides helpful insights into the assessment of the adequacy of Fund resources. They noted the complementarity and limitations of the quantitative and qualitative pillars, as well as the inherent uncertainties in projecting the medium-term resource needs. Directors thus stressed the important role of judgment in the process. They also welcomed the two enhancements to account for a distribution of possible outcomes and for interconnectedness and spillovers across countries. Directors expressed various views on the different approaches, and provided some suggestions that could be taken into consideration in the analysis.

Directors acknowledged that the different approaches under the quantitative pillar produce a wide range of results, depending, to a large extent, on the underlying assumptions. They took note of the staff's finding that the potential medium-term demand for Fund resources could be large, and that current Fund resources, though sufficient in some scenarios, would likely fall short in many other scenarios. A number of Directors cautioned against overly pessimistic scenarios. Directors also observed that, while the COVID-19 pandemic is a truly global shock, the unprecedented domestic and multilateral policy responses have so far limited its fallout and the demand for Fund resources. In this regard,

a number of Directors believed that such a concerted action will continue to play an important role in future global crises, although some others were skeptical that this should generally be counted on in such crises. A number of Directors saw rising indebtedness in many countries as an increasing challenge.

Directors recognized the importance of qualitative considerations, where factors are difficult to quantify but may have important implications for the size of the Fund and its quota resources. These factors include the changing nature of crises, risks, vulnerabilities, and underlying global trends such as climate change and digitalization. Directors noted that continuous domestic reforms and enhanced Fund surveillance and policies have strengthened resilience across the membership, and that the multi-layered GFSN, including the Fund's lending firepower, has expanded significantly since the 2008 global financial crisis. A number of Directors nevertheless observed that other components of the GFSN are uneven, different in purpose, and not a substitute for Fund lending. Many Directors underscored the catalytic role of the Fund in mobilizing financing from other sources.

Directors welcomed the impact analysis of the recent general SDR allocation on the demand for Fund resources. They agreed that the SDR allocation would help countries meet their balance of payments needs and enhance global resilience. The allocation, together with the voluntary channeling of SDRs under consideration, would thus reduce the demand for Fund resources, at least in the near term. While the preliminary analysis suggests a limited medium-term impact, some Directors were of the view that the general SDR allocation and the envisaged channeling of SDRs could have more permanent implications for the demand for Fund resources and thus warrant further analysis.

Directors reiterated that the 16th Review should ensure the primary role of quotas and an appropriate mix of Fund resources. They recognized that quotas do not need to cover all possible scenarios, with borrowed resources continuing to serve as an important backstop, while domestic policy adjustments remain essential. Many Directors stressed that quotas are permanent resources and the pillar of the Fund's governance, while borrowed resources are temporary and not readily available. In this context, many Directors supported a quota increase that would at least maintain the Fund's current lending capacity, and many also called for a substantial increase in quotas. A number of other Directors noted that the Fund's current resource envelope has proven resilient and appears sufficient to handle a range of scenarios over the medium term. These Directors considered that the New Arrangements to Borrow and bilateral borrowing agreements have effectively provided the second and third lines of defense against tail risks. Finally, Directors stressed the importance of having adequate resources available ex ante for the Fund to preserve its credibility and effectiveness.