

**FOR  
AGENDA**

SM/02/253  
Supplement 1

August 27, 2002

To: Members of the Executive Board

From: The Secretary

Subject: **Twelfth General Review of Quotas—Further Considerations**

The attached supplement to the paper on the twelfth general review of quotas—further considerations (SM/02/253, 8/9/02) has been prepared on the basis of additional information and is tentatively scheduled for discussion on **Friday, August 30, 2002**. The staff proposes the publication of this paper after the Executive Board completes its discussion, together with a PIN summarizing the Executive Board's discussion.

Questions may be referred to Mr. Trines (ext. 35639) and Mr. P. Ross (ext. 38973) in TRE.

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Department Heads



INTERNATIONAL MONETARY FUND

**Twelfth General Review of Quotas—Further Considerations: Supplementary Information**

Prepared by the Treasurer's Department

Approved by Eduard Brau

August 27, 2002

1. Since the issuance of SM/02/253, there have been several developments that have significantly affected the Fund's liquidity position as presented in that paper and are pertinent to an assessment of the adequacy of the Fund's resource base.

- First, the Fund is undertaking several additional commitments. The proposed new stand-by arrangement for Brazil in an amount equivalent to SDR 22.82 billion represents the largest single commitment in nominal terms in the Fund's history and will reduce substantially the Fund's forward commitment capacity. Additionally, the stand-by arrangement with Uruguay was augmented by SDR 376 million, with a similar, albeit much smaller effect.
- Second, India and Malaysia are being proposed for inclusion in the Financial Transactions Plan for the period September–November 2002, which will increase the amount of available usable resources by about SDR 4.5 billion.
- The combined effect of these changes on the Fund's forward commitment capacity as of mid-September 2002 is reflected in an updated version of Table 4, The Fund's Liquidity, 1995–2002 (attached). Compared to the situation as of end-June 2002, the one-year forward capacity to make financial commitments from own resources is reduced to SDR 39.4 billion, from SDR 55.6 billion.

2. In the view of the staff, these developments strongly reinforce the conclusions presented in SM/02/253. In particular, the large proposed arrangement for Brazil demonstrates the uncertainties involved in projecting demand for Fund resources and the speed with which the Fund's liquidity situation can change. The staff does not believe that any changes are warranted to the illustrative scenarios; the recent developments can be considered to be reflective of either scenario 2 or scenario 3.

Table 4 (updated). The Fund's Liquidity, 1995-2002  
(In billions of SDRs)

	1995	1996	1997	1998	1999	2000	2001	2002 1/	June Proj. as of Sept. 10
Flows during the preceding 12 months									
Commitments	21.9	11.6	28.4	30.6	13.7	16.8	31.2	15.8	39.3
Purchases	17.0	5.3	16.1	20.6	10.0	7.2	23.8	17.8	23.9
Repurchases	6.7	5.1	5.7	6.7	19.4	15.2	13.3	11.7	13.2
End of period									
1. Usable resources 2/	58.0	61.1	50.7	53.6	94.9	109.7	102.4	99.4	99.4
2. Undrawn balances under GRA arrangements	8.8	13.2	20.7	27.3	21.5	20.9	25.8	19.5	36.1
3. Uncommitted usable resources (1-2)	49.2	47.8	30.1	26.3	73.4	88.8	76.6	79.9	63.4
4. Projected repurchases	5.1	5.7	6.7	19.4	15.2	13.3	17.9	15.7	16.0
5. One-year forward capacity to make financial commitments from own resources (3 + 4 - 6)	26.9	26.1	9.4	18.3	48.6	62.1	54.5	55.6	39.4
Memorandum items, end of period									
6. Prudential minimum uncommitted usable resources	27.4	27.4	27.4	27.4	40.0	40.0	40.0	40.0	40.0
7. GRA credit outstanding	35.9	36.1	46.6	60.5	51.1	43.0	53.5	59.6	62.2
8. Outstanding GAB/NAB borrowing	...	...	...	6.3	...	...	...	...	...

1/ The flows in 2002 cover a period from January 2002 to June 30 and September 10, 2002, respectively.

2/ From September 1, 2002, includes India and Malaysia as creditor members in the Financial Transactions Plan.