

2. TENTH GENERAL REVIEW OF QUOTAS - REPORT TO BOARD OF GOVERNORS  
AND PROPOSED RESOLUTION

1. The Executive Board approves the report annexed hereto, entitled Tenth General Review of Quotas - Completion of Review Under Article III, Section 2, for transmission to the Board of Governors.

2. The Board of Governors is requested to vote without meeting, pursuant to Section 13 of the By-Laws, on the draft resolution attached to that report.

3. The Secretary is directed to send each member of the Fund by rapid means of communication on or before December 14, 1994 the Report on Tenth General Review of Quotas - Completion of Review Under Article III, Section 2, set forth in the Annex, and the Draft Resolution attached to it.

4. To be valid, votes must be cast by Governors or Alternate Governors by rapid means of communication on or after December 14, 1994 and must be received at the seat of the Fund on or before January 17, 1995. Votes received after that date will not be counted.

5. The effective date of the Resolution of the Board of Governors shall be January 17, 1995, the last day allowed for voting.

6. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.

7. The Secretary is authorized to take such further action as he shall deem appropriate in order to carry out the purposes of this decision.

Decision No. 10851-(94/108), adopted  
December 12, 1994

ANNEX

TENTH GENERAL REVIEW OF QUOTAS - COMPLETION OF REVIEW  
UNDER ARTICLE III, SECTION 2  
REPORT OF THE EXECUTIVE BOARD TO THE BOARD OF GOVERNORS

1. Article III, Section 2(a) of the Articles of Agreement provides that "[t]he Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." This Report and the attached Resolution on the Tenth General Review of Quotas are submitted to the Board of Governors in accordance with Article III, Section 2.

2. The five-year period prescribed by Article III, Section 2(a) for the Tenth General Review of Quotas ended on March 31, 1993, five years from the date on which the Ninth General Review of Quotas should have been concluded. As the Tenth General Review was not completed by March 31, 1993, the Board of Governors decided to continue its review of quotas under the Tenth General Review (Resolution No. 48-3, adopted April 14, 1993). That Resolution was as follows:

RESOLVED:

That the Board of Governors, having noted the report of the Executive Board entitled Increases in Quotas of Members - Tenth General Review, hereby resolves to continue its review under Article III, Section 2(a) and requests the Executive Board to complete its work on this matter and to submit a report together with appropriate proposals to the Board of Governors not later than December 31, 1994.

3. The Executive Board established a Committee of the Whole on the Tenth General Review of Quotas on March 31, 1992 in accordance with Rule D-3. The Committee met on March 18, 1994 and on December 12, 1994. The Committee undertook a substantive review of the issues relating to the Tenth Review including a review of the quota formulas, as called for in the Executive Board's report to the Board of Governors on the Ninth Review.

4. The Executive Board reviewed the working of the quota formulas and the results of quota calculations based on the present five formulas and updated economic data for members through 1990. The Executive Board noted that the results of the quota formulas purport to give a reasonably comprehensive measure of the relative economic size of member countries, and the Executive Board is of the view that the quota formulas are broadly working as intended. However, in connection with its work in connection with the Eleventh General Review, the Executive Board intends to examine further the extent to which a number of countries have actual quota shares that remain substantially out of line with their shares in the total of calculated quotas, issues relating to the long-run decline in the share of developing countries in the total of Fund quotas, the use of population and other variables in the quota formulas, and a review of the methodology employed in calculating quotas for the successor states of the former Soviet Union.

5. In connection with its work on the Tenth General Review, the Executive Board has considered the adequacy of the quotas of members in the Fund. The Executive Board is of the view that the overall size of the Fund is for the time being broadly sufficient to enable the Fund to promote effectively its purposes and to fulfill its central role in the international monetary system. In coming to this conclusion, the Executive Board noted that the increase in quotas under the Ninth General Review, which came into effect in late 1992, provided the Fund with substantial usable resources. Furthermore, the recent increase in access limits to the Fund's resources over the next three years, the establishment

of the systemic transformation facility in April 1993, and the possible extension, with augmented access, of that Facility, as well as the possible development of further facilities, would enable the Fund to meet members' needs for balance of payments assistance in the period ahead. The Executive Board also noted that the recent extension and enlargement of the enhanced structural adjustment facility will be of increased benefit to the Fund's low-income developing countries over the next few years. The Executive Board expressed its view that the Fund is at present relatively well positioned to meet a prospective substantial demand for its resources over the next three years. Nevertheless, the Fund's liquidity position is expected to decline over the next few years from its currently strong position. Furthermore, considerable uncertainties can be expected as regards the supply of usable resources, which depends on the continued relative strength in the balance of payments and reserve positions of mainly the industrial countries in the Fund. The continued adequacy of members' quotas, including the Fund's liquidity position, will be closely monitored by the Executive Board in the period ahead.

6. In view of the foregoing considerations, it is recommended that the work on the Tenth Review be concluded and that the Board of Governors adopt the Resolution set forth in the attachment to this report.

#### ATTACHMENT

##### Proposed Resolution of the Board of Governors

The Board of Governors, having noted the Report of the Executive Board entitled Tenth General Review of Quotas - Completion of Review Under Article III, Section 2,

RESOLVED:

That the Tenth General Review of Quotas is hereby completed and requests the Executive Board to continue its work on quotas in connection with the Eleventh General Review of Quotas, as indicated in its report entitled Tenth General Review of Quotas - Completion of Review Under Article III, Section 2.