

December 23, 1982 - 82/241

The Chairman's Summing Up at the Conclusion of the Discussion
of the Eighth General Review of Quotas - Distribution of
Overall Increase in Quotas - Committee of the Whole on Review
of Quotas Meeting 82/19 - December 21, 1982

This meeting has led to a substantial narrowing of views on a number of key points, which can perhaps best be outlined under two main headings: principles and choice of method.

Principles

Broad agreement was reached on the following principles:

1. The increase in quotas should lead to a better reflection of the relative economic positions of individual member countries. A meaningful adjustment from actual present quotas toward calculated quotas will be an important step toward strengthening the Fund's financial position.

2. The increase in quotas should be distributed on the basis of uniform methods for all members.

3. Each member should derive from the present exercise a meaningful increase in its quota.

4. The proposals to be presented to the Interim Committee should be as simple as possible and expressed in clear language.

5. The proposals should be conducive to a compromise agreement in the Interim Committee at the earliest possible date.

Choice of Method

I shall touch first on the choice of the basic method to be used to calculate increases in quotas and, second, on the different possible limits to be applied to the method of calculation.

We have made substantial progress today in moving clearly toward Method 3. On grounds of simplicity and uniformity, Method 4 has not received wide support. And, while there remains some sympathy for Method 2A, it is clear that 2A does not produce basically different results from Method 3, although it is probably more difficult to formulate and explain. Method 3 seems to provide the most generally acceptable basis for calculating increases in quotas and for achieving a compromise.

Beyond the basic choice of method, we must also look at the subvariants on which Directors have commented. In this regard, two main elements must be distinguished, namely, the method of mitigation and the amount of mitigation.

Some Directors would prefer no mitigation or, in other words, the application of Method 3 in its pure form as illustrated in column 2 of Table 2 on page 10 of EB/CQuota/82/13 (12/13/82), which yields a 32 per cent adjustment coefficient for a Fund size of SDR 90 billion. Similar views are held by those Directors who would prefer a full adjustment to Method 3 but with a minimum increase in quotas of 25 per cent. Figures corresponding to that approach are shown in column 3 of the same table and produce a coefficient of adjustment that is very similar to that yielded by the numbers in column 2.

On the other end of the spectrum, there are a number of Directors who can go along with Method 3 only if the mitigation element is rather large. Most of those Directors would prefer to see 75 per cent of the overall increase distributed in the form of an equiproportional increase in quotas, which would yield a relatively low adjustment coefficient of 8 per cent for a Fund size of SDR 90 billion.

Between these two groups are a number of Directors who have expressed a preference for an adjustment coefficient in the range of 20-25 per cent. Of course, there are as many variants to the basic method as there are percentage figures; however, what is important to convey in this summing up is the notion that, between the largest adjustment coefficient of 32 per cent (using Method 3) and the lowest figure of 8 per cent in a Fund size of SDR 90 billion, there is a zone for compromise and rapprochement. It is toward this end that the Interim Committee will have to strive.

In attempting to consolidate views on the method of mitigation, I have found a strong support for the equiproportional method (as opposed to the minimum increase), which seems to have been considered more consistent with the principle of uniformity of treatment.

Hence, in terms of methodology, the Committee has today taken two important steps: the first is the choice of the basic circulation method--namely, Method 3--and the second is the choice of the method of mitigation, which is the equiproportional approach.

What we now must convey to Governors and Ministers is the idea that, between the view of those who favor a relatively large coefficient of adjustment and those who favor a relatively low coefficient of adjustment, there is ground for a compromise. I am confident that such a compromise will be worked out, particularly since some of the different sizes for the coefficients have relatively small implications for individual quotas.

I should add at this point that the fact that most of our discussion today has been based on the assumption of a Fund of SDR 90 billion should not be taken to mean that any decision has been reached on a Fund of this magnitude; we have used the figure of SDR 90 billion for illustrative purposes only. The importance of this point has been highlighted by

several Directors who have said that, with a larger Fund than SDR 90 billion, it may be easier to reconcile the two conflicting objectives of a larger coefficient of adjustment and a meaningful equiproportional increase. That is why we need to look at the issue of the distribution of quotas in the context of the size of the Fund.

Having made progress in narrowing views, we must now turn our attention toward drafting a report to Governors on our discussions. We should explain in clear and simple language how Method 3 operates and how it can be modified or "constrained" to achieve an acceptable compromise between the conflicting objectives I have mentioned. It will be important in this regard to prepare Ministers and Governors for the next Interim Committee meeting by showing them the zones within which compromise can be attempted.