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**The Chairman's Concluding Remarks
Fourteenth General Review of Quotas—
The Size of the Fund—Initial Considerations
Committee of the Whole on Review of Quotas Meeting 10/2
April 14, 2010**

This is our first opportunity to assess the adequacy and composition of the Fund's resources in the context of the 14th General Review of Quotas. As many Directors have stressed, the Fund's critical role in the response to the global crisis vividly demonstrates the importance of ensuring that it has an adequate resource base. Directors emphasized that the Fund is, and should remain, a quota-based institution, notwithstanding the large increase in its borrowed resources recently agreed. They emphasized also that the size and composition of the Fund's resources cannot be assessed in isolation. Parallel progress in other areas, specifically on quota distribution, the Fund's future financing role, and broader governance reform, is needed if we are to arrive at a package of reforms to strengthen the Fund's legitimacy and effectiveness that can command the necessary broad support. I, therefore, recognize that the views expressed today are preliminary.

Directors noted that a range of indicators show that the relative size of the Fund has declined substantially since the last general quota increase twelve years ago. In addition, recent events have highlighted the fact that global financial crises can have broad dimensions, potentially affecting a wide group of members, while the recent reforms of the Fund's facilities could potentially expand the range of members that may seek Fund support in the future. In this context, some Directors stressed that, while the Fund has a central role in the international monetary system, contributions from multilateral development banks and other official sector sources should also be expected to play a role in meeting the financing needs of member countries.

Against this background, most Directors saw a strong case for a substantial increase in the Fund's quota resources. Many Directors expressed a preliminary view that broadly a doubling of quotas would ensure that quota resources remain adequate in most circumstances, with some arguing for a larger increase in view of the rapid growth in international trade and capital flows, and to ensure that Fund resources remain adequate to assist members in crisis prevention and resolution. A few other Directors, noting the recent SDR allocations and the enlarged, more flexible New Arrangements to Borrow (NAB), were skeptical about the need for a quota increase beyond the amount needed to achieve the targeted realignment of quota shares. Some Directors considered it too early to express a

specific view on the size of the increase at this stage, given the ongoing discussions of other related strands of work that might have a bearing on the adequacy of Fund resources.

Most Directors considered that the design of Fund programs, its governance structure, and other safeguards sufficiently contain the risks of moral hazard and superfluous lending associated with an enlarged Fund. A few Directors cautioned, however, that an excessively large quota increase could heighten moral hazard risks.

While welcoming the recent Board approval of the amended NAB, Directors stressed the backstop character of Fund borrowing. Many considered that a substantial increase in quotas, together with the additional resources available under the expanded NAB, would send a strong signal that the Fund has adequate resources to support its members under a broad range of scenarios. A few others saw the reformed NAB as a valuable financing tool such that its activation should not be limited to tail-risk events. Directors also noted that the NAB is to be reviewed once a decision on the quota increase is taken, and some were of the view that the overall Fund resources are adequate and that a reduction in the size of the NAB should not be precluded if a substantial quota increase is agreed, in order to achieve an appropriate balance between quota and borrowed resources.

To conclude, today's discussion has offered a useful opportunity to reflect on critical issues related to the size and composition of the Fund's resources. I believe we have made a good start in defining the key considerations that are relevant to determining the size of the needed quota increase. Looking ahead, these issues will be taken up again jointly with further staff work on realigning quota shares, with staff expected to issue a paper with updated quota calculations based on the finalized 2008 data set soon after the Spring Meetings. A continued spirit of compromise and constructive and strong engagement will be needed to successfully conclude the 14th Review by the January 2011 deadline.