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The Chairman's Concluding Remarks
Fourteenth General Review of Quotas—Realigning Quota Shares:
Further Considerations
Committee of the Whole on Review of Quotas Meeting 10/3
July 7, 2010

Today's discussion represents a further step forward in clarifying views and defining key issues to be resolved in the realignment of quota shares under the 14th General Review of Quotas. With the data set through 2008 now available, a previous obstacle to more rapid progress has been removed, and we should seek to make significant progress in narrowing the remaining differences in the run-up to the Annual Meetings. This will require a spirit of cooperation and compromise from all sides, aimed at an outcome that can command broad support from the membership and will enhance the legitimacy and effectiveness of the Fund.

The G-20 call to complete our work by November highlights once again the urgency of completing the remaining steps needed to make the 2008 quota and voice reform effective. I urge those members that have not yet done so to complete their necessary domestic processes and notify the Fund of their acceptances as soon as possible.

I note that Directors remained committed to the IMFC-endorsed goal of a shift in quota share of at least 5 percent to dynamic emerging market and developing countries (EMDCs) from over- to under-represented countries, while protecting the voting share of the poorest members. However, it is clear that significant differences of view remained, including on the targeted outcomes and the modalities for achieving the agreed objectives. We will need to work hard to bridge those differences in a very tight time frame. I would like to highlight a few main points from our discussion today:

First, on alternative mechanisms for distributing ad hoc increases, differing views were expressed on the potential role of a compressed GDP blend variable, as either a complement or an alternative to the quota formula. Many Directors saw merit in exploring this approach further, with some also calling for a greater role for PPP GDP and for exploring alternative options. Many other Directors, however, strongly favored approaches that would not assign effectively larger weights to variables already embedded in the formula, and considered that the formula should remain the primary mechanism for distributing quota increases, including through a large selective component. Directors reaffirmed that the current quota formula remains the basis to work from. Many maintained

the view that the quota formula should not be reopened. In addition, some were willing to proceed on the basis of the current formula, provided there is a commitment to review it again after the 14th Review is completed. Some other Directors preferred to modify the formula during this review.

Second, Directors explored the possible role for mechanisms that could facilitate a larger net shift to EMDCs. These include the possibility that eligible advanced economies would not fully participate in ad hoc increases (while preserving their gains from the selective increase), and that over-represented advanced economies could become modestly under-represented. Many Directors objected to such approaches, noting that all under-represented countries should be potentially eligible for ad hoc increases, and that all over-represented countries should contribute to the adjustment in quota shares. These Directors stressed the importance of not creating new anomalies, whereby over-represented countries could become under-represented as a result of the reform. However, a number of Directors encouraged further work along the lines set out in the staff paper. A number of Directors saw scope for an equiproportional increase, while others remained open.

Third, Directors supported protecting the voting share of the poorest countries. A number of Directors favored protecting the quota shares of PRGT-eligible countries individually, while a few preferred using the eligibility criterion adopted for the Post-Catastrophe Debt Relief Trust. Other Directors preferred to leave options open at this stage, including alternative approaches to defining the poorest members, and some also remained open to the possibility of a further increase in the share of basic votes in the total voting power.

To conclude, today's discussion has provided useful further guidance for our work on realigning quota shares. I am encouraged that Directors expressed their commitment to remain strongly engaged in these discussions. The Board will shortly have an opportunity to discuss other aspects of the governance reform, recognizing, as many have stressed, that this work needs to proceed in parallel. I am hopeful that the next meeting of the Committee of the Whole scheduled for immediately after the summer recess can move the process forward, building on the views expressed today and also coming back to the important issue of the size of the quota increase.