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**Statement by Mr. Tulin on the Options for
Achieving Greater Equity in Cumulative SDR Allocations
(Preliminary)
Executive Board Informal Session 96/6
July 19, 1996**

I welcome the Managing Director's proposal on a special SDR allocation through an amendment to the Articles of Agreement. It appears to be a reasonable compromise that could lead the Executive Board out of the two-year impasse over the ways to deal with the situation of one fifth of the Fund's members, some of whom have been waiting for 15 years to be given a chance of full-fledged participation in the SDR scheme.

Judging from past experience with Amendments to the Articles, the new proposal may take two more years until all members get an equitable share of SDRs. Still, for the 38 members with "zero cumulative allocations" in the SDR Department, it is certainly better to receive these reserve assets sometime in 1998, than to continue, for another decade or so, to hope for a consensus on the existence of "a long-term global need for reserve supplementation". Therefore, today I am prepared to support any option leading to the resolution of the "equity issue".

On balance, it seems that the Managing Director's suggestion to raise the ratio of cumulative SDR allocations to quotas of all members to a common benchmark ratio, is the most transparent and consistent option, because equity in the Fund is traditionally measured in terms of members' relative quota shares. The benchmark ratio of 33 percent of current quotas will be only slightly above the highest existing ratio in the Fund, and it will ensure that no one is left out of this special allocation plan.

The Managing Director's approach would yield results broadly similar to those of the proposal made by Mr. Evans and Ms. Lissakers. Allocation of SDR 26.56 billion under the Managing Director's proposal is only SDR 4.78 billion more than envisaged by the Evans-Lissakers option with a 26 percent benchmark and 13 percent minimum special SDR allocation. Out of this additional amount, SDR 3.41 billion (71 percent) will be received by participants in the GAB and associated arrangements, by industrial countries and by other members with strong balance of payments positions whose currencies are presently included in the Fund's operational budget for transfers. All other members would receive only SDR 1.37 billion in excess of their shares under the respective Evans-Lissakers option, so the effect produced by the special SDR allocation on the international liquidity situation would be very limited. At the same time, the clearness and simplicity of the Managing Director's option increase the chances of a speedy ratification by parliaments of an amendment to the Articles.

