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Concluding Remarks by the Chairman on Review of Guidelines for the Allocation of Currencies Under the Operational Budget
Executive Board Meeting 92/5 - January 15, 1992

I would draw the following conclusions from our debate:

First, the present guidelines on the allocation of currencies under the operational budget that we agreed in June 1990 have, in practice, worked relatively well. These guidelines have brought about a better distribution of reserve tranche positions in relation to members' quotas and reserves without causing distortions in the distribution of reserve tranche positions. Above all, the Fund has financed a rapid expansion in Fund lending in a generally smooth and efficient manner, and we all agree that the paramount need is to ensure that the Fund's liquidity position is managed in such a way as to be able to finance members' use of the Fund's resources in as smoothly and equitable a manner as possible.

Second, although the present mixed system for allocating currencies has worked well, several Directors believe that we should increase the relative importance of quotas in allocating currencies, while a number of other Directors believe that the relative importance of gold and foreign exchange could be increased in the allocation process. The arguments for and against these positions are now well appreciated.

Third, many Directors commented on the staff's analysis of the issues that arise in an attempt to achieve a more equitable distribution in the cost of financing the Fund because of the burden of financing overdue obligations and the role of the unremunerated reserve tranche positions. There is no doubt that under the burden sharing arrangements, the cost of acquiring a Fund position has risen relative to the cost of acquiring other reserve assets, including SDRs. Some Directors have taken the view that this cost should be taken into consideration in the determination of the distribution of reserve tranche positions. Others are less convinced, bearing in mind that the burden sharing arrangements are, in principle, temporary and that a different role is played in the Fund by the unremunerated reserve tranche positions. In the light of today's discussion, I do not believe that the Board has come to firm views on burden sharing issues and I note that a number of Directors wish to see further staff work. As suggested by Mr. Peretz, we will have an opportunity to come back to these issues in the forthcoming seminar on financing the Fund and the cost of Fund credit on February 21, 1992.

On balance, Directors can go along with maintaining the present guidelines for the time being, with the understanding that the Board will return to the guidelines in the light of the payments made for the increases in quotas under the Ninth Review. And I understand that Directors wish to see this further delay in clarifying these guidelines shortened by an early conclusion of the Ninth Review.

If agreeable with Executive Directors, we will circulate a draft decision for adoption on a lapse of time basis to extend the present guidelines until payments have been made for the increase in quotas or, in any event, until no later than the end of this year.