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EBD/92/269

November 9, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Effectiveness of Increases in Quotas Under the
Ninth General Review

Attached for consideration by the Executive Directors is a paper on the effectiveness of increases in quotas under the ninth general review, which is scheduled for discussion on Wednesday, November 11, 1992.

Mr. Decarli (ext. 37627) or Mr. Hagan (ext. 37715) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Effectiveness of Increases in Quotas Under the Ninth General Review

Prepared by the Legal, Secretary's and Treasurer's Departments

Approved by François Gianviti, Leo Van Houtven and David Williams

November 9, 1992

Paragraph 3 of Board of Governors Resolution No. 45-2, entitled "Increases in Quotas of Fund Members - Ninth General Review", provides as follows:

"No increase in quota shall become effective before the later of:

- (i) during the period ending December 30, 1991, the date of the Fund's determination that members having not less than eighty-five (85) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas, or, after December 30, 1991, the date of the Fund's determination that members having not less than seventy (70) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas; or
- (ii) the effective date of the third amendment of the Articles."

1. As of 9:00 a.m., November 9, 1992, consents to the increases in their quotas have been received by members having 97.60 percent of the total of quotas on May 30, 1990. ^{1/} Accordingly, the determination can be made by the Fund that the requirement under Paragraph 3(i) of this Resolution has been met.

2. With respect to Paragraph 3(ii) of this Resolution, the procedures regarding the entry into force of the Third Amendment of the Articles of Agreement are set forth in EBD/92/268, November 9, 1992. If the Executive Board adopts the decision proposed in that paper, the Third Amendment will become effective on November 11, 1992, the date on which the Secretary will send the formal communication certifying that the required acceptances have been received.

3. Under paragraph 1 of the decision proposed in this paper, the Executive Board would: (i) make the determination that members having 70 percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas under the Ninth General Review and (ii) note

^{1/} See Secretary's Circular No. 92/105, November 9, 1992.

that the effective date of the Third Amendment will be November 11, 1992. By the adoption of this decision, the requirement set forth in Paragraph 3 of Board of Governors Resolution No. 45-2 for the effectiveness of quota increases would be met on November 11, 1992.

4. The meeting of the requirement set forth in Paragraph 3 of Board of Governors Resolution No. 45-2 will have implications regarding the timing of the payment of quota increases. 1/ Paragraph 5 of that Resolution provides that each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date on which the requirement for the effectiveness of the increase in quota under Paragraph 3 of the Resolution has been met.

Thus, with respect to members that will not have consented to their increase by November 11, 1992, these members will have to pay the increase in their quotas within 30 days after the date of their consent. The current period within which members may consent will expire on November 30, 1992. The Executive Board may extend this period for all members.

For those members that will have consented to their increase by November 11, 1992 (the date on which the requirement of Paragraph 3 of the Resolution will have been met), payment of the quota increase will have to be received by the Fund within 30 days after November 11, 1992; i.e., by December 11, 1992. As provided in the Resolution, the Executive Board has the authority to extend this 30-day period. Such an extension would apply for all members.

Paragraph 2 of Board of Governors Resolution No. 45-2 provides that no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

With respect to the extension of the consent or payment period, Paragraph 6 of Board of Governors Resolution No. 45-2 provides that the Executive Board, when deciding on such an extension, is to give particular attention to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to

1/ These implications are also applicable to new members (and Micronesia and Tajikistan, the two nonmembers for which the terms and conditions of membership have been prescribed by the Board of Governors) for which no increase in quota was proposed under Resolution No. 45-2 by virtue of the fact that they were not members on May 30, 1990. Under the terms of their membership resolutions, these members and the two prospective members may consent to an increase in their quota, such increases being equivalent to the increases proposed under Board of Governors Resolution No. 45-2, and must both consent to and pay for this increase within the period (or the extensions thereof) specified in Board of Governors Resolution No. 45-2.

the General Resources Account that, in its judgment, are cooperating with the Fund towards the settlement of these obligations.

4. In order to inform members of the implications discussed above, paragraph 2 of the proposed decision also authorizes and directs the Secretary to dispatch on November 11, 1992 a communication, the text of which is set out in Attachment I, advising members and Micronesia and Tajikistan: (i) that the requirement set forth in Paragraph 3 of Board of Governors Resolution No. 45-2 had been met on November 11, 1992 and (ii) of the implications of the meeting of this requirement.

The following decision is proposed for adoption by the Executive Board:

1. The Executive Board determines that members having 70 percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas under the Ninth General Review and notes that the effective date of the Third Amendment will be November 11, 1992.

2. The Secretary is authorized and directed to dispatch to members and Micronesia and Tajikistan a communication on November 11, 1992, the text of which is set out in Attachment I of EBD/92/269.

Communication to all Members and to Micronesia and Tajikistan

(For Dispatch November 11, 1992)

The International Monetary Fund has determined that members having 70 percent of the total of Fund quotas as of May 30, 1990 have consented to increases in their quotas under the Ninth General Review of Quotas and, as you have been notified, the Third Amendment entered into force for all members today, November 11, 1992. This is to advise you, therefore, that these requirements of the Ninth General Review of Quotas under Board of Governors Resolution No. 45-2 have been met. Your attention is drawn to the following points of timing and procedure.

First, members that have not as yet consented to their quota increases may still consent but their consent must be received in the Fund not later than 6:00 p.m., Washington time, on November 30, 1992. The Executive Board may extend this period for consent.

Second, each member that has already consented to the quota increase as of today must pay to the Fund this increase within 30 days after today, that is, by December 11, 1992. Members that consent later than today must pay the increase within 30 days after the date on which the Fund is notified of their consent. The Executive Board may also extend the payment period.

Third, the consent and payment periods outlined above are also applicable to members and prospective members for which no increases in quotas were proposed under Resolution No. 45-2 by virtue of the fact that they were not members on May 30, 1990. The membership resolutions adopted by the Fund for these countries enable them to consent to an increase in their quotas and provide that the consent and payment procedures for these increases will be the same as those for members under the Ninth General Review.

Fourth, a member with overdue repurchases, charges or assessments to the General Resources Account may not consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

The Treasurer's Department will continue to be in touch with the fiscal agencies of members regarding the payments for these quota increases.

Van Houtven
Secretary
Interfund