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November 19, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Periods for Consent to and Payment for Increases in Quotas
Under the Ninth General Review of Quotas - Extension

Attached for consideration by the Executive Directors is a paper on an extension of the periods for consent to and payment for increases in quotas under the Ninth General Review of Quotas, which is proposed to be brought to the agenda for discussion on Monday, November 30, 1992. A draft decision appears on page 5.

Mr. Tavlas (ext. 37493) or Mr. Hagan (ext. 37715) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

Periods for Consent to and Payment for Increases in Quotas
Under the Ninth General Review of Quotas - Extension

Prepared by the Treasurer's and Legal Departments

(In consultation with the Secretary's Department)

Approved by David Williams and François Gianviti

November 19, 1992

1. The Board of Governors' Resolution on Increases in Quotas of Fund Members - Ninth General Review (No. 45-2, adopted June 28, 1990) provided in paragraph 4 that members' notices of consent to the increases in their quotas must be received in the Fund not later than 6:00 p.m., Washington time, on December 31, 1991. Paragraph 4 also provides that the Executive Board may extend this period as it may determine.

The period for consents was first extended by the Executive Board to June 30, 1992 (Executive Board Decision No. 9874-(91/167), adopted December 11, 1991), and subsequently to September 30, 1992 (Executive Board Decision No. 10062-(92/82), adopted June 29, 1992) and to November 30, 1992 (Executive Board Decision No. 10147-(92/120), adopted September 28, 1992).

2. Paragraph 5 of the Board of Governors' Resolution No. 45-2 provides that each member shall pay to the Fund the increase in its quota within 30 days after its consent or the date of effectiveness of the Ninth Review, whichever is the later. On November 11, 1992, the Executive Board determined that the participation requirement for the Ninth Review was met and that the Third Amendment entered into force, which fulfilled the general effectiveness requirements under the Ninth General Review of Quotas. ^{1/} Thus, as regards the members that have already consented, payments for the quota increase must be received by December 11, 1992. As noted above, members that have not yet consented have until November 30, 1992 to do so, and these members must pay for the quota increase within 30 days after the

^{1/} See "Third Amendment of the Articles of Agreement - Entry Into Force," EBD/92/268 (11/9/92) and "Effectiveness of Increases in Quotas Under the Ninth General Review," EBD/92/269 (11/9/92). The participation requirement for the Ninth Review was that members having 70 percent of the total of Fund quotas as of May 30, 1990 had consented to their increases in quotas.

date when the member notifies the Fund of its consent. Paragraph 5 of Resolution No. 45-2 also provides that the Executive Board may extend the payment period as it may determine.

3. Paragraph 6 of Board of Governors Resolution No. 45-2 provides that, when deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration 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 the General Resources Account, that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

4. As regards the status of consents to increases in quotas under the Ninth Review, 13 countries that were members on May 30, 1990 have not consented to increases in quotas (see Table 1). 1/ Three of these 13 members--Bahrain, Lebanon, and Suriname--are current in their obligations in the General Resources Account, and the staff is in contact with them to ascertain their intentions on their quota increases. As of November 19, 1992, ten members that are in arrears to the General Resources Account consequently cannot consent to their quota increases. Another member, Yugoslavia, consented to its quota increase but has subsequently fallen into arrears and cannot at present pay for its increase in quota. 2/ Altogether these 11 members not at this time eligible to consent or pay for quota increases account for 2.9 percent of total present quotas and 2.8 percent of total voting power.

After May 30, 1990, increases in quotas have been proposed to countries under membership resolutions, and the terms of consent and payments follow those under the Resolution on the Ninth General Review of Quotas. Three countries that became members after May 30, 1990 (Kyrgyzstan, Uzbekistan, and San Marino) have not yet consented to the increase in their quotas. Furthermore, two countries--Micronesia and Tajikistan--have not yet accepted the terms and conditions of membership prescribed for them by the Board of Governors, and it appears unlikely that they would be able to do so and consent to their quota increases before November 30, 1992. 3/ Micronesia has until January 15, 1993 to accept Fund membership, whereas Tajikistan has until April 27, 1993 to do the same.

1/ Cambodia did not participate in the Ninth General Review of quotas and an increase in quota was not proposed for it under Resolution No. 45-2.

2/ The status of Yugoslavia in the Fund is to be reviewed by the Executive Board. In the event that Yugoslavia does not pay for its quota increase, the provisions for payment for quota increases under the Ninth Review would apply to any countries that might succeed Yugoslavia as members of the Fund.

3/ Since Micronesia and Tajikistan are not yet members, they cannot consent to their increases in quotas.

Table 1. Member Countries Which Have Not Consented to Increases in Their Quotas Approved Under the Ninth General Review

(Figures in SDR millions)

Member	Present or initial quotas	Proposed quotas under the Ninth Review
(a) <u>Members on May 30, 1990</u> ^{1/}		
Bahrain	48.9	82.8
Haiti*	44.1	60.7
Iraq*	504.0	864.8
Lebanon	78.7	146.0
Liberia*	71.3	96.2
Peru*	339.9	466.1
Sierra Leone*	57.9	77.2
Somalia*	44.2	60.9
Sudan*	169.7	233.1
Suriname	49.3	67.6
Viet Nam*	176.8	241.6
Zaire*	291.0	394.8
Zambia*	270.3	363.5
(b) <u>Members after May 30, 1990</u>		
Kyrgyzstan	43.0	64.5
Uzbekistan	133.0	199.5
San Marino	6.5	10.0
(c) <u>Member that has consented to its increase in quota but has subsequently fallen into arrears</u>		
Yugoslavia	613.0	918.3
(d) <u>Applicant countries</u>		
Micronesia	2.25	3.5
Tajikistan	40.0	60.0

^{1/} Ten of these members (indicated by an asterisk) have overdue obligations to the General Resources Account as of November 19, 1992. Cambodia did not participate in the Ninth General Review of quotas and an increase in quota was not proposed under Resolution No. 45-2.

Of the members in arrears to the General Resources Account, four--Peru, Sierra Leone, Viet Nam, and Zambia--have been judged by the Executive Board to be cooperating with the Fund toward the settlement of those arrears. Of these four members, Peru, Sierra Leone, and Zambia have rights accumulation programs. Assuming that their programs remain on track, these members may be expected to clear their arrears shortly after the final accumulation of rights under their programs. Clearance might therefore be anticipated in early 1993 for Peru, after February 1994 for Sierra Leone, and after March 1995 for Zambia. It would appear unlikely that the arrears of these members would be cleared before these dates. Viet Nam has in recent years made payments to the Fund sufficient to reduce the outstanding level of arrears below the level at the end of 1988, and the Fund has welcomed the continuing cooperation of the Vietnamese authorities in working toward the elaboration and implementation of a comprehensive program of macroeconomic and structural adjustment. The Fund has also indicated that Viet Nam has met the initial conditions for it to begin to benefit from the intensified collaborative approach. 1/ It is, nonetheless, difficult at this time to give an indication of when Viet Nam's arrears are likely to be settled.

5. As regards the period for payment of the quota increase, Yugoslavia, as noted above, is at present ineligible to pay for its increase in quota because of its arrears in the General Resources Account. Furthermore, the Executive Board is reviewing the status of Yugoslavia in the Fund. In addition, two of the recent members that have already consented to the increase in their quotas (Azerbaijan and Turkmenistan) may experience technical difficulties in completing the payment procedures by December 11, 1992. These members, 2/ as well as certain other new members from the former Soviet Union and San Marino, have not yet paid their initial quota subscriptions and they still have several months to make such payment according to their membership resolutions.

6. In light of the above, it is the staff's view that the period for consent should be extended. The extended period should, however, be brief in order to indicate to members that have not yet consented that they should expedite the process of their consents, and also provide the Executive Board with a relatively early opportunity to again review the status of consents. Thus, it would seem reasonable to consider a relatively short extension of the consent period, of say six months, to enable the member countries to consent to the increase in their quotas that have been approved by the Board of Governors under the Ninth General Review or under the individual membership resolutions that have been approved since May 1990. Accordingly, it is proposed that the consent period be extended by six months i.e., until May 31, 1993. It is also proposed that the Executive Board review this matter before May 31, 1993.

1/ Executive Board Decision No. 10034-(92/71), adopted June 3, 1992.

2/ The six-month period for payment of their initial quotas ends on March 17, 1993 for Azerbaijan, and on March 19, 1993 for Turkmenistan.

As regards the payment period, it is proposed that the 30-day period prescribed in Paragraph 5 of Resolution No. 45-2 be extended by 45 days for all members to enable those countries that have already consented, or are still able to consent, to their quota increases to complete the necessary financial and payment arrangements. Thus, for members that have already consented as of November 11, 1992, payment for the quota increase must be received by January 25, 1993. For members that may still consent, payment for the quota increase must be received within 75 days (i.e., 30 days in the original resolution plus the proposed extension of 45 days) after the date of consent.

The following decision, which may be adopted by a majority of the votes cast, is proposed for the adoption by the Executive Board.

Proposed Decision

1. Pursuant to Paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members - Ninth General Review," the Executive Board decides that notices in accordance with Paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on May 31, 1993.
2. Pursuant to Paragraph 5 of the Resolution No. 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota within 75 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992.

