February 7, 2018

The Chairman's Concluding Remarks
Fifteenth General Review of Quotas—Further Considerations
Committee of the Whole on Review of Quotas Meeting 18/1
February 2, 2018

Today's third meeting of the Committee of the Whole on the 15th General Review of Quotas builds on two earlier discussions on the adequacy of Fund resources and on the quota formula and realigning quota shares in September 2017. Directors welcomed the opportunity for a further informal exchange of views on these issues. Let me offer brief informal remarks that reflect my understanding of the views expressed in today's discussion.

Directors reiterated their shared commitment to a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. Many Directors again underlined that the issues of the quota formula and the size and distribution of any quota increase under the 15th Review are closely interlinked and will ultimately need to be agreed as a package. Many Directors also reaffirmed the view that IMF bodies should lead the process and determine the outcome, recalling that the work program agreed by the Executive Board calls for IMFC guidance on key elements of the 15th Review in the second quarter of 2018.

Directors underscored the importance of ensuring that the Fund has sufficient resources available to respond to actual, potential, or prospective financing needs in line with its mandate. They welcomed the additional analytical work on resource adequacy presented in the staff paper, which sought to respond to previous feedback. Directors appreciated the refinements to the quantitative models, with more conservative assumptions of the demand for Fund resources, although a number felt that they are still not sufficiently conservative. Most Directors also welcomed the longer-term perspective, noting that the outcome of the 15th Review will likely determine the Fund's permanent resources through at least the middle of the next decade, and that this perspective implies growing potential resource needs over time, as well as larger uncertainties. Directors appreciated the updated qualitative analysis, which gives more prominence to post-crisis reforms that could reduce the demand for Fund resources, while continuing to highlight factors that may increase such demand.

Taken together, most Directors agreed that the updated two-pillar approach provides a useful basis to advance discussions and help the membership form a judgment on the adequacy of the Fund's resources. Many Directors supported, or were open to, a quota increase that would at least maintain existing Fund resources after the bilateral borrowing agreements expire. Some Directors could support a larger quota increase that would restore the share of quotas in total resources to its long-term average. Some other Directors reiterated

their view that the Fund's current resources appear sufficient to handle a range of scenarios and hence to meet the needs of the membership over the medium term. A number of Directors called for clarification on prospects for a quota increase at an early stage, while a view was also expressed that it is premature to start deliberations on the need for a general quota increase at this stage. Many Directors noted that further clarification between normal circumstances and severe shocks would better inform the related resource needs of the Fund, while some others stressed that this is an issue of members' risk tolerance requiring political judgment.

Directors welcomed the further discussion of the Fund's resource composition and generally agreed that the traditional model of relying primarily on its permanent quota resources, supplemented by standing borrowing arrangements, has served the Fund well. The critical role played by the bilateral borrowing agreements as the third line of defense for the Fund to respond to the global financial crisis was also underlined. Going forward, many Directors argued that quotas should provide the bulk of its lending resources. A few Directors stressed that bilateral borrowing provides a flexible mechanism for boosting Fund resources and should continue to play a role when warranted by global conditions. A number of Directors reiterated that discussions on the adequacy of Fund resources should not pre-suppose future discussions on the possible renewal of bilateral borrowing agreements.

Views on the quota formula remained broadly unchanged. Most Directors reiterated that the four principles that underpinned the 2008 quota formula reform remain valid. Many Directors signaled their willingness to continue working toward a new formula that is broadly acceptable to the membership, building on the progress already made, including the outcome of the quota formula review (QFR) in 2013. A number of Directors noted that the quota formula is a valuable instrument to serve the goal of realigning quota shares. Many Directors reiterated that, in their view, the midpoint approach does not adequately represent the range of views being expressed and is not in line with the 2013 QFR, while some others considered the approach constructive and akin to the consensus reached on the 14th Review. Directors welcomed staff's additional work on the relationship between balance of payments difficulties and variability, and the convergence of market GDP and PPP GDP.

Directors reiterated the importance that quota shares be in line with members' relative positions in the world economy, with many Directors noting that overall out-of-lineness has increased significantly since the 14th Review. Many Directors called for a meaningful shift in quota shares from advanced economies to emerging market and developing economies during the 15th Review. A number of other Directors stressed that a realignment of quota shares should not be guided by a predefined target for a possible shift in shares for any particular group of countries.

Views remained divided on whether, and if so how, to take account of voluntary financial contributions. Many Directors supported, or were open to, taking account of such

contributions in quota adjustments under the 15th Review, with a few preferring their inclusion in the quota formula. Many other Directors continued to oppose such approaches.

Directors reiterated their commitment to protect the quota and voting share of the poorest members under the 15th Review. Views continued to vary on the precise definition of poor countries to be protected. Many Directors called for the protection of all PRGT-eligible members and also of small developing states. Some other Directors preferred a shorter list, limited to the poorest and based on either an update of the criteria used in the 14th Review or PRGT-eligibility.

Looking ahead, as Directors noted, considerable technical work has already been provided to inform Directors' views on the key issues for the 15th Review, and further progress will require important elements of judgment and compromise. Management and staff will reflect further on how best to take this process forward, and I remain encouraged by the shared commitment to work together in a constructive manner to complete the 15th Review in line with the agreed timetable.