Financial requirements of the International Monetary Fund in a changed setting

The Annual Meetings of the International Monetary Fund (IMF) and the World Bank held in Hong Kong at the end of September this year paved the way for a considerable increase in the IMF's capital. At the beginning of the year, major creditor countries had agreed to supplement the "General Arrangements to Borrow (GAB)", which have been in existence for a long time, by "New Arrangements to Borrow (NAB)" and thus to establish an additional IMF borrowing arrangement for crisis situations. One issue that is still unresolved at the moment, however, is how the Fund's "Enhanced Structural Adjustment Facility (ESAF)" and its proposed debt relief operations for heavily indebted poor countries can be financed.

This article examines how the IMF's financial requirements have developed against the background of global economic changes during the past years and how the measures set in train to broaden its financial base are to be assessed. The final section explains the motives behind the "equity allocation" of special drawing rights (SDRs) agreed recently.

Eleventh General Review of Quotas

Quotas as a source of financing

Under its statutes, the IMF is required to grant its member countries temporary liquidity assistance in the event of balance of pay-

ments problems. To ensure that it can do so, it must have adequate financial resources at its disposal. Its main source of funding are the payments by its members in the amount of their quotas (subscriptions). At present, total quotas amount to around SDR 145 billion, or almost US$ 200 billion. Pursuant to the IMF Articles of Agreement, the adequacy of the quotas has to be reviewed at least once every five years. The review is based on certain key macroeconomic variables in the member countries such as gross domestic product, the level of external current account transactions, export fluctuations and the amount of official reserves. For each review the calculation of the key variables and the method of computing each country's quota share must be determined anew, which is why the individual steps of the process are often complicated and protracted (see the box on page 59). This was also the case with the Eleventh General Review of Quotas, which is now virtually concluded, during which both the overall amount of the increase and its distribution among the individual members were for a long time contentious. Following the agreement reached in Hong Kong in the Executive Board and the Interim Committee, it appears likely that the quotas will be raised by a total of 45 %.

Scale of the quota increase

The scale of the quota increase proposed by the IMF Executive Board and endorsed by the Interim Committee of the Board of Governors was initially grounded in the fact that the current quotas are based on the Ninth General Review, which was completed in June 1990 and which entered into force at the end of 1992. The Tenth General Review in 1994-5 did not produce any proposal for an increase as the Fund – so soon after the previous quota rise – still had adequate resources at its disposal. Although there was a broad consensus in the meantime that the expansion of the world economy since the last quota increase called for another substantial rise (see the table on page 60), there were widely differing views at first about the size of the increase needed.

Arguments in favour of a sharp increase

Various arguments were put forward in favour of a sharp increase (some even advocated a doubling of quota): the awareness that global economic growth is generally associated with growing balance of payments imbalances; the fact that many new IMF members are borrowers rather than creditors; the persistently great need of the traditional developing countries for financial assistance; the Fund's increased involvement in programmes designed to eliminate structural weaknesses which tie up the committed financial resources for a relatively long period; and, finally, the fear that the world economy is increasingly susceptible to disruption, leading to a concomitant need to finance crisis-induced liquidity shortages.

Arguments in favour of a moderate increase

Advocates of a relatively moderate quota increase, on the other hand, not only pointed to the Fund's continuing favourable liquidity position but also argued that the IMF should refrain from granting such financial assistance that belongs more in the sphere of development aid, responsibility for which should remain with the World Bank group or the regional development banks. Moreover, they stated that special refinancing arrangements which provide for additional backing have

been concluded with a number of financially strong creditor countries for dealing with potential systemic crises (see page 61 f.). They further argued that an excessive readiness of the IMF to provide financing would be counter-productive because it would increase the likelihood that destabilising economic policies would be pursued and would encourage risky investments in the financial markets. But their principal objection was that, given today's highly liquid and efficient world financial markets, reasonable financial requirements can and should normally be met outside the framework of the IMF.

Quota shares

The negotiations were additionally complicated by the fact that some member countries are keen to limit their international financial commitments within the framework of the IMF. Differences of opinion also emerged concerning the distribution of the quota increase among the individual members, as most countries wish to obtain high quota shares in order to maximise their voting power and to ensure that they have access to a correspondingly large amount of financial assistance from the Fund in case of need.

Progress in Hong Kong

Immediately before the Annual Meetings of the IMF and the World Bank, a major step forward was taken in Hong Kong on the quota issue following lengthy deliberations. The IMF Executive Board reached agreement on the modalities of the increase, and the Interim Committee backed a corresponding draft for the Board of Governors. In line with this, the quotas are to be increased by a total of 45 % – i.e. by SDR 65 billion to SDR 210

IMF quotas and their review

Prior to a country's accession to the IMF, a quota is agreed with it. This quota determines the level of the member's payment obligations, its relative voting weight, the amount of financial assistance from the Fund to which the country has access, and its share in any SDR allocations. As a rule, members must pay one-quarter of their quota in special drawing rights (SDRs) or in hard currency; the remaining amount is paid in national currency.

In the periodical general reviews of quotas a multi-step procedure is used. Firstly, "calculated quotas" are computed for the member countries on the basis of formulas which include GDP, external current account transactions, export fluctuations and official reserves as variables. The resulting quota shares are intended to reflect members' relative economic strength and external interdependence. Then the overall amount of the quota increase is determined in a second step. This overall amount is distributed among the individual member countries according to the following procedure:

(1) A usually relatively large component of the overall amount is distributed in proportion to the existing quotas. This is intended to ensure a high degree of continuity in the quota structure.

(2) A second component of the overall amount is distributed "selectively". The main criterion is the member's share in the calculated quotas. (For countries growing particularly dynamically this share is larger than their previous quota share.)

(3) Sometimes there is a third component, which is distributed by means of an "ad hoc approach" to selected countries whose calculated quota share is significantly greater than their previous quota share.

An important feature of this procedure is the fact that it does not function "automatically". Instead both the overall amount of the quota increase and the distribution procedure depend on members' politically-minded decisions. As a rule, compromise solutions are found.

Deutsche Bundesbank

International Monetary Fund (IMF)
Comparison of quotas and total credit outstanding

As at the end of the calendar year

Year	Number of IMF members	IMF accounts				Compare	
		Quotas in the IMF		Total IMF credit outstanding 1		World trade 2	International banking business 3
		SDR billion	US$ billion	SDR billion	US$ billion	US$ billion	
1970	117	28.4	28.4	3.2	3.2	306	170
1975	128	29.2	34.2	7.4	8.7	856	582
1980	141	59.6	76.0	11.1	14.2	1,961	1,853
1985	149	89.3	98.1	37.7	41.4	1,893	2,997
1990	154	91.1	129.6	23.3	33.1	3,422	6,966
1992	175	142.0	195.3	27.8	38.2	3,796	6,884
1994	179	144.9	211.5	30.3	44.2	4,276	7,998
1995	181	145.3	216.0	41.6	61.8	5,113	8,900
1996	181	145.3	208.9	42.1	60.5	5,310	9,150
1997 4	181	145.3	198.4	42.1	57.5	5,450	...
1998	...	5 209.5	6 286.0	...	...	...	...

Sources: IMF, IFS and Bundesbank calculations. — **1** Comprises IMF financial assistance from the General Resources Account and under SAF, ESAF and Trust Fund loans. — **2** Average of global exports and imports (IMF International Financial Statistics and World Economic Outlook). — **3** Average of external assets and liabilities of all banks (according to the IFS table "Deposit Banks' Foreign Assets and Liabilities"); figures for 1995 and 1996 partly estimated on the basis of BIS data. — **4** For IMF accounts: as at the end of September 1997. — **5** Scheduled quota total according to the decision of the IMF's Executive Board of September 20, 1997. — **6** Converted into US$ at the market rate applying on September 30, 1997.

Deutsche Bundesbank

billion, or by almost US$ 90 billion to US$ 286 billion.

Agreement acceptable

From Germany's point of view, this increase seems appropriate. On the one hand, it takes due account of the growth in the world economy. On the other hand, the "moral hazard" to which governments and market participants could be exposed by an excessively generous provision of liquidity by the Fund will be kept within reasonable bounds. The new distribution of quotas is also acceptable as a compromise. Of the overall increase, 75 % will take the form of an equiproportional increase (i.e. in line with members' current quota shares). A further 15 % is to be distributed on the basis of the "calculated quota shares" – i.e. after taking into account the individual members' current respective weight in the world economy. The remaining 10 % is intended as an additional corrective to distortions in the present quota structure: 9 % is being allocated to those countries whose calculated quota share lies above their current share, and, in addition, 1% is to be distributed to five countries whose calculated quota share is considerably higher than their present share.

Shifts in the pattern of shares

As a consequence of these corrections, quite considerable shifts will occur in the pattern of shares. In future, Germany – in part owing to the inclusion for the first time of the economic weight of eastern Germany – will have a quota share of presumably about 6.2 % (hitherto 5.7 %). Other EU countries are likewise being given higher shares, so that the EU countries' combined quota share will rise

by more than one percentage point (it currently stands at 29.4 %). Other share gainers will be Japan, in particular, and other Asian countries. By contrast, the United States' share (at present 18.2 %) will decline somewhat – as will that of many developing countries. Germany will in future have the third highest share – behind the United States and Japan.

Further steps to implement the quotas

The agreement on the new quotas still has to be approved by a majority of 85 % of the votes in the IMF's Board of Governors. Thereafter, the member countries will be asked to officially approve their individual quota increase. The relevant approval procedures differ from country to country. Once the increase enters into force, the German quota will rise by SDR 4.8 billion to about SDR 13 billion, or by DM 11½ billion to just over DM 31 billion. It is expected that, analogously to the last quota increase, 25 % will again be paid in SDRs (or a convertible currency), and 75 % in Deutsche Mark. The payment will be made by the Bundesbank, which also holds the German shares in the IMF. Germany's official reserves will be unaffected by the quota increase on balance, as the decrease in its SDR holdings caused by the subscription payment will be offset by an equal increase in the German reserve position in the IMF.

New Arrangements to Borrow (NAB)

Increase in the IMF's "reserve tank"

Like the old General Arrangements to Borrow (GAB), the New Arrangements to Borrow (NAB), which have now been agreed but have not yet entered into force because ratification is still pending in some countries, provide additional backing for the IMF should its quota resources prove insufficient to ward off a systemic crisis. In January 1997, the Executive Board adopted the decision on the NAB negotiated between the participating countries – i.e. the G-10 countries and other financially strong IMF members. The maximum amount of financial assistance available under the NAB will be SDR 34 billion, or almost US$ 50 billion. The GAB will remain unchanged with a maximum volume of SDR 17 billion; however, recourse to that facility will be counted towards the NAB ceiling. The replenishment of the IMF's "reserve tank" to SDR 34 billion more or less corresponds to the longer-term movements in the size of the Fund and the expansion of world trade.

For use in emergencies

The aim of the NAB – as of the GAB – is to supplement the IMF's quota resources whenever this is necessary to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. The NAB are thus an instrument which is expressly reserved for use in emergencies and not as a means to cover the IMF's normal financing needs. They should therefore not be misunderstood by market participants as signalling a generally greater readiness by the Fund to provide financial support.

Further steps

The 25 NAB members are currently being requested to ratify the NAB and subsequently to notify the IMF of their participation (for the apportionment of the amounts see the table on page 62). The NAB enter into force as soon

Financing shares in GAB * and NAB o

Participants	GAB SDR million	GAB %	NAB SDR million	NAB %
United States	4,250.0	25.0	6,712	19.7
Deutsche Bundesbank	2,380.0	14.0	3,557	10.5
Japan	2,125.0	12.5	3,557	10.5
France	1,700.0	10.0	2,577	7.6
United Kingdom	1,700.0	10.0	2,577	7.6
Italy	1,105.0	6.5	1,772	5.2
Canada	892.5	5.3	1,396	4.1
Netherlands	850.0	5.0	1,316	3.9
Belgium	595.0	3.5	967	2.8
Sveriges Riksbank	382.5	2.2	859	2.5
Swiss National Bank	1,020.0	6.0	1,557	4.6
G-10 countries, total	17,000.0	100	26,847	79.0
Saudi Arabia	2 1,500.0	100	1,780	5.2
Australia	–	–	810	2.4
Austria	–	–	412	1.2
Denmark	–	–	371	1.1
Finland	–	–	340	1.0
Hong Kong Monetary Authority	–	–	340	1.0
Korea	–	–	340	1.0
Kuwait	–	–	345	1.0
Luxembourg	–	–	340	1.0
Malaysia	–	–	340	1.0
Norway	–	–	383	1.1
Singapore	–	–	340	1.0
Spain	–	–	672	2.0
Thailand	–	–	340	1.0
Non-G-10 countries, total	1,500.0	100	7,153	21.0
All participants, total	17,000.0	100	34,000	100
Associated agreement	1,500.0	100	.	.

Source: IMF. — * General Arrangements to Borrow. — o New Arrangements to Borrow. — 1 SDR 1 = DM 2.41 (September 30, 1997). — 2 Associated agreement.

Deutsche Bundesbank

as at least 85 % of the overall credit volume of SDR 34 billion has been subscribed and the five largest creditors (United States, Japan, Germany, France and United Kingdom) have adhered to the decision (i.e. agreed). By early November, 16 members had agreed, including a number of G-10 countries, i.e. the traditional GAB members. As under the GAB, the Bundesbank is a direct party to the NAB, i.e. it would pay the German contribution if the credit lines were activated.

ESAF financing

Concept of ESAF financing

Little progress has been achieved of late on the question, which has been under discussion for quite a while, of the further financing of the ESAF (Enhanced Structural Adjustment Facility) – which was initially designed as a temporary measure only. The Fund uses this facility to grant special longer-term and highly concessional loans the nature of which is similar to that of development aid. As this activity does not conform to the IMF's proper mandate, no Fund resources were used for financing the ESAF in the past; instead, external funds were mobilised in the form of bilateral contributions (in many cases budget resources). They are kept separate from the Fund's normal financial resources and administered through a Trust. The German side believes that this separation should be retained. Hence the decisions to increase the IMF's normal resources outlined above have no bearing on ESAF financing.

According to Fund estimates, the ESAF resources currently available will be com-

Interim financing problematical

pletely "used up" in 2000 by lending commitments. For the period from 2001 to 2004 (after that date, ESAF loans will be self-financing as a result of refluxes of previous concessional loans), the IMF is therefore seeking interim funding. The principal task is to obtain the interest-rate subsidies associated with the ESAF loans.

HIPC Initiative

Closely linked to the ESAF operations is the HIPC Initiative (HIPC = Heavily Indebted Poor Countries). With this initiative, which was launched in 1996, the multilateral financing institutions – in addition to bilateral creditors – aim to provide debt relief to heavily indebted poor countries under certain conditions, so that these countries can attain a sustainable debt situation over the medium term. Since the IMF will contribute to the debt relief operations as a creditor in the form of special ESAF operations, it requires corresponding financial resources. Therefore, the Fund has asked its members to contribute resources to the ESAF-HIPC Trust, which was set up at the beginning of this year, so as to make available special bilateral financial support.

Financial resources required

In total, additional funds of about SDR 2.8 billion are needed. Germany has already announced to the IMF that it will make a substantial contribution. One outstanding issue, however, is what is to be done if the financial resources required cannot be raised in full. For reasons of principle, Germany is opposed to the sale of parts of the IMF's gold holdings which has been discussed in this context.

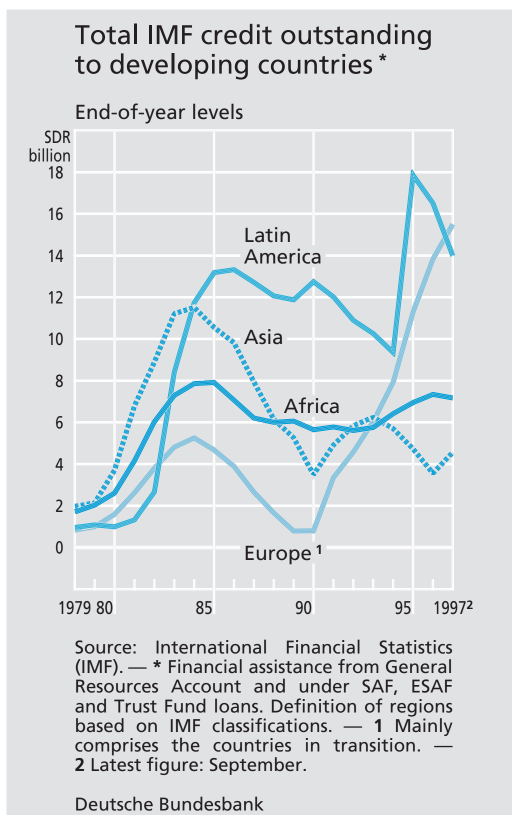
Longer-term trend in the IMF's financial requirements

Borrowing requirements of the new member countries

Given the many and varied changes in the global economic setting, it is difficult to assess the future financial requirements of the Fund with any degree of accuracy. This is true not least of the borrowing requirements of the new members, especially the "countries in transition" of the former Soviet Union and in central Europe. At the beginning of the transition process, when these countries undertook considerable efforts to integrate themselves into the world economy, they needed sizeable financial assistance from the international community. The Fund, too, took this need into consideration and, in particular, supported the macroeconomic stabilisation process in the countries in transition by funding adjustment programmes. At the end of the IMF's last financial year (i.e. at the end of April 1997), Fund credit outstanding to countries in transition came to more than SDR 14 billion. The bulk of this amount (just over SDR 9 billion) is accounted for by Russia, followed by the Ukraine (SDR 1.6 billion), and Bulgaria (SDR 0.5 billion).

In the meantime, most of the countries in transition have made considerable progress in the changeover from a centrally planned economic system towards a market economy. These countries' borrowing requirements should therefore decrease in future. This applies particularly to the demand for IMF resources, as the reform requirements still existing in the countries in transition are primarily focused on eliminating structural weaknesses, the financing of which is first

Total IMF credit outstanding to developing countries *



Source: International Financial Statistics (IMF). — * Financial assistance from General Resources Account and under SAF, ESAF and Trust Fund loans. Definition of regions based on IMF classifications. — **1** Mainly comprises the countries in transition. — **2** Latest figure: September.

Deutsche Bundesbank

and foremost the task of other multilateral institutions such as the World Bank and the European Bank for Reconstruction and Development.

Changes in the international financial markets

It is relatively difficult to assess the longer-term effects of the changes in the international capital markets on the Fund's financial requirements. In the context of growing integration and flexibility, together with the worldwide expansion of savings, these markets have assumed an increasingly important role in the financing of countries' balance of payments during the past few years. This also applies to developing countries. Whereas in 1990 less than half of long-term net capital inflows into developing countries originated from private sources, this proportion came to more than four-fifths in 1996, according to World Bank estimates.

Private financial resources

This development was triggered mainly by the fact that many countries – in part as a result of the IMF's influence – are increasingly adopting market-based and stability-oriented economic policies and have thus gained the confidence of private foreign investors. This will presumably tend to lessen the need in future for the IMF to provide financial assistance. However, private capital inflows are concentrated at present on a relatively small number of countries. In addition, recent developments in South-East Asia demonstrate that inflows of private capital – especially if they are of a short-term nature – may dry up or even be withdrawn if an inappropriate economic policy is being pursued in the recipient country. If that happens, there is a risk of an explosive crisis which may spread to other countries, too, and have adverse repercussions on the entire international monetary system.

Market risks

In such cases, the Fund should urge the countries concerned – if possible, before the situation has assumed crisis-like proportions – to undertake the necessary adjustment measures. Economic policy errors have played a major role in virtually every monetary crisis in the past few years. At the same time, the Fund must take care not to give the impression that it is prepared – by granting extensive financial assistance – to assume the risks to creditors and borrowers associated with cross-border capital movements. Otherwise it would encourage "moral hazard" tendencies which would undermine the market mechan-

ism and, ultimately, the functioning of the international monetary system.

Ongoing liberalisation of capital flows

Another factor that is relevant to the question of how future financing demands on the IMF will be affected by the integration of international financial markets are the current endeavours to give the IMF a more influential role in the liberalisation of capital flows. Through an amendment to the IMF Articles of Agreement, the Fund is to be given the responsibility and jurisdiction to speed up the process of deregulating capital flows and to make the introduction of restrictions on capital movements subject to its control. The German Federal Government and the Bundesbank support these endeavours in principle as the international allocation of capital will be improved in the longer run as a result and thus welfare gains can be achieved worldwide.

Role of banking supervision

From Germany's point of view, increased liberalisation efforts must not result on balance in additional funding demands on the IMF. It is important that the liberalisation of capital movements be undertaken in an orderly fashion and with the necessary caution, i.e. that further steps towards liberalisation are only taken after the countries concerned have created the necessary preconditions. First of all, this requires a sound economic policy, a stable financial system and an effective supervision of financial markets. Past experience has shown that economic crises have nearly always been associated with, aggravated by, or caused by weaknesses in the financial system of the countries concerned, which is why an efficient system of banking supervision is of particular importance. The prudential rules which the G-10 countries – in cooperation with other states – have proposed for global use, especially the "Core Principles for Effective Banking Supervision" published recently, as well as the IMF's expressed willingness to assist in the implementation of these principles represent major steps in this direction.[1]

Limitation of IMF resources

If the above-mentioned preconditions are met, an extension of international capital flows is unlikely to engender systemic risks and thus an additional need for IMF financial assistance. Instead, private capital movements should have a balancing effect and render public assistance superfluous. This expectation is backed by the experience of the advanced industrial countries, which completely liberalised their capital transactions some time ago without needing to call on the Fund for balance of payments assistance.

Trend towards flexible exchange rates

Opinions differ as to the longer-term effects of the continuing trend towards flexible exchange rates on the need for IMF financial assistance. In principle it may be assumed that variable exchange rates help to avoid balance of payments deficits and thus provide some relief to the Fund as the potential supplier of financial assistance. However, the IMF's practical experience gained in the past few years often showed quite a different picture. On the one hand, this is due to the fact that many countries with formally fluctuating exchange rates attempt in practice to stabilise their exchange rates through interventions.

1 See also the published IMF study "Toward a Framework for Financial Stability".

Exchange rate arrangements of IMF members

Number of currencies

Type of exchange rate regime	Dec. 1987	April 1997
Currencies pegged [1]	92	67
to a single currency	57	45
to US dollar	38	21
to French franc	14	15
to other currencies	5	9
to the SDR	8	2
to another currency basket	27	20
Currencies with limited flexibility [2]	12	16
against the US dollar	4	4
cooperative exchange rate arrangements [3]	8	12
Currencies with greater flexibility	46	98
other managed floating [4]	28	47
independently floating [5]	18	51
Total	150	181

Source: IMF. — **1** When pegged to a single currency no exchange rate fluctuations, when pegged to the SDR or another currency basket only very limited fluctuations. — **2** Mostly limited to the fluctuation margins. — **3** EMS participants. — **4** Regular (mostly daily or weekly) resetting of intervention rates. — **5** No interventions by the monetary authorities (at most exchange rate smoothing operations).

Deutsche Bundesbank

To this end, these countries often also make use of IMF credit so as to bolster their economic policy. In addition, many members have drawn on the Fund's assistance, even without having direct balance of payments problems, in order to finance macroeconomic restructuring programmes.

Misalignments

On balance, therefore, no clear link is discernible between financial requirements and the exchange rate regime. However, the risks involved in adhering too long to exchange rates which are no longer appropriate have become quite apparent in the recent past. Some countries have tried to defend exchange rates which – owing to obvious economic policy misalignments – were no longer in line with the economic fundamentals. As a consequence, this led to a loss of investor confidence, capital withdrawals and losses in reserve holdings, which in part were then offset by the IMF.

Overall longer-term financial requirements uncertain

All in all, the economic setting for the Fund has changed markedly since the end of the eighties for a whole variety of reasons, and further changes are likely. Under these circumstances, it is difficult to draw clear-cut conclusions about the Fund's financial requirements. It can be assumed in principle that the worldwide trend towards economic integration and market globalisation based on the principles of the market economy will tend to reduce the need for interventions by the IMF and other official international agencies. However, bearing in mind the possibility of economic policy misalignments in individual countries – which cannot be ruled out in future – and owing to market imperfections, the global process of integration presumably will frequently not be free of tensions, and sometimes may even be subject to considerable dislocations. That makes it all the more important for the IMF, on the one hand, to show restraint in granting financial assistance and, on the other, to have adequate liquidity reserves at its disposal. The quota increase which has now been set in train and the New Arrangements to Borrow should cover the Fund's financial needs for the foreseeable future.

"Equity allocation" of SDRs

Integration of new member countries into the SDR system

As mentioned at the beginning of this article, it was also agreed at the IMF Annual Meeting in Hong Kong to allocate new special draw-

"Equity allocation" of SDRs

Group of countries/ Country	Previous cumulative allocation of SDRs	"Equity allocation" of SDRs	New cumulative allocation of SDRs 1
	as % of quota	SDR million	
Industrial countries 2	17.0	10,600	25,195
of which			
Germany	14.7	1,205	2,416
France	14.6	1,094	2,174
Italy	15.3	643	1,346
United Kingdom	25.8	261	2,174
Other EC countries	15.5	2,081	4,404
United States	18.5	2,877	7,777
Japan	10.8	1,524	2,416
New members (38)	–	3,828	3,828
of which			
Switzerland	–	724	724
Russia	–	1,264	1,264
Other countries	14.5	7,005	13,843
of which			
Saudi Arabia	3.8	1,309	1,504
China	7.0	756	992
Member countries, total	14.7	21,433	42,866

Sources: IMF and Bundesbank calculations. — 1 Uniform rate for all countries of approximately 29.32 % of their quotas (measured on the basis of the Ninth General Review of Quotas). — 2 Excluding Switzerland and San Marino, which are included here under "New members".

Deutsche Bundesbank

ing rights. SDR allocations have no direct implications in respect of meeting the Fund's financial requirements. However, they do increase the members' official reserves and thus tend to lower their borrowing requirements. The call for an "equity allocation" was prompted by the fact that, following the accession to the IMF of the countries of the former Soviet Union, there were 38 member which had never received any allocation of SDRs. These countries were to be given an appropriate degree of participation in the SDR system.

One-time special allocation

Since there is no global shortage of official reserves ("long-term global need") at present – the sole grounds which could have warranted a standard SDR allocation by decision of the IMF's Board of Governors – the only option was a one-time special allocation by means of an amendment to the IMF's Articles of Agreement. After protracted argument, the IMF's Executive Board finally reached a consensus on such a one-time allocation; the decision was endorsed by the Interim Committee and approved by the Board of Governors. The total amount of SDRs allocated so far (21.4 billion) is to be doubled, and the new SDRs are to be allocated in such a way that the cumulative allocation of each country is increased to 29.32 % of its IMF quota (see the adjacent table). That should put an end to the question of further SDR allocations for a long time to come.

Note

Information on world economic trends and on the IMF's business policy and financial position can be found in the IMF Annual Reports. The 1997 Annual Report was published in September and is available in English and German. It can be called up on the Internet at http://www.imf.org. The German version is also available on the Bundesbank's Web-site (http://www.bundesbank.de).