

COMMENTS ON MARK SOBEL’S ARTICLE REGARDING IMF RESOURCES¹

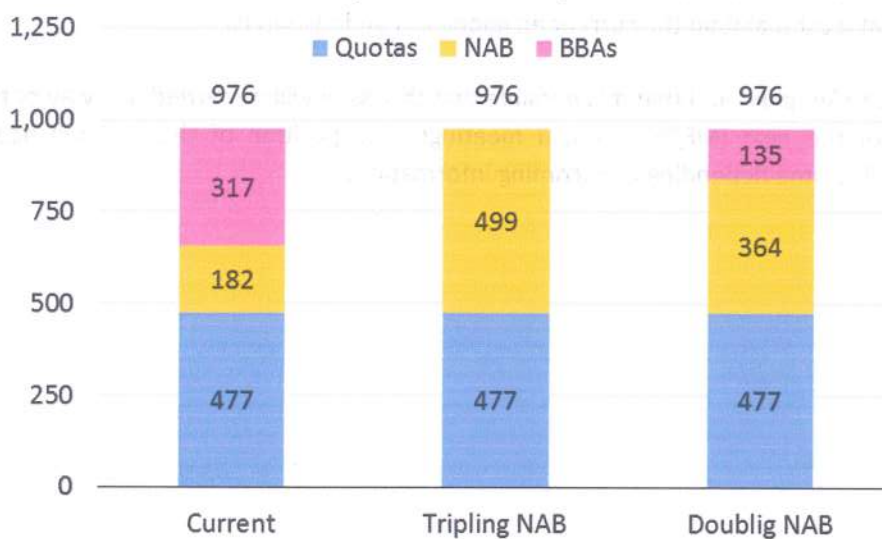
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I agree with the thrust of the views expressed by Mark Sobel in the article.

Without support from the US for a quota increase under the 15th General Review of Quotas, this is not a viable option. Since the Fund needs to have sufficient resources to fulfill its mission, other alternatives must be sought. At present, the total amount of resources available to the Fund from quotas, the New Arrangements to Borrow (NAB) and Bilateral Borrowing Arrangements (BBAs) stands at 976 billion SDR (see figure 1). In my opinion, under any scenario, the aim should be to at least maintain this amount.

One possibility would be to rely exclusively on an increase in the NAB. As seen in Figure 1, this would imply almost tripling its current size. Another one would be to double resources available under the NAB, as suggested by some countries. However, in this case, to preserve the current resource envelope at the Fund, this would need to be supplemented by an additional round of BBAs.

Figure 1: Illustrative Scenario for Fund Resources
(in billions of SDR)



The results of the current negotiations are uncertain, but an agreement by the time of the 2019 Annual Meetings of the IMF/World Bank is to be expected, since that is the deadline for the conclusion of the 15th General Review of Quotas. To this end, an agreement on the expansion and

¹ Mark Sobel: “US Treasury misguided on IMF quotas” (April 30, 2019).

extension of the NAB will be needed. Building on the outcome of this meeting, the IMF Executive Board will meet to consider approval of the NAB decision. In addition, the extension of BBAs after 2020 would need to be decided depending on the size of the NAB increase.

In my opinion, at this stage the position on IMF resources should be based on the following principles:

1. Current IMF resources are insufficient, and given the risks in the world economy, the potential for an exhaustion of the Fund's lending capacity is high.
2. The IMF must remain at the center of the global financial safety net. To this end, it must have adequate resources available.
3. The Fund is and should remain a quota-based Institution. This is essential not only in terms of the resources available to support its member countries in need, but also to ensure its adequate governance and legitimacy.
4. In view of the above, it is disappointing that a quota increase under the 15th General Review has not received sufficient support.
5. The 16th GRQ should aim at ensuring the availability of enough quota resources at the Fund, on the basis of an ambitious and realistic timetable. This should also allow an adequate representation of its members on the basis of their relative positions in the world economy.
6. In the meantime, an adequate level of Fund resources must be ensured through an increase in the NAB and, if needed, a new round of BBAs. The aim of these efforts should be to at least maintain the current envelope of Fund resources.

It is important to keep in mind that it is possible that this issue will be settled one way or the other by the time of the next IMF/WB Annual meetings. The position of the WP will need to be considered in due time depending on incoming information.