

Support for IMF Reform

Official Statements by the Governors of the IMF during the 2008 Spring Meetings

On April 12, 2008, the [International Monetary and Financial Committee \(IMFC\)](#) of the IMF met to discuss the state of the global economy and other important issues as part of the [IMF-World Bank 2008 Spring Meetings](#). This 24-member advisory board reports to the IMF's Board of Governors (the IMF's highest decision-making body) on matters relating to the international monetary and financial system and the governance of the IMF. At the end of each meeting, the committee issues a [communiqué](#) that summarizes the collective views of the IMF's member countries.

Ahead of each meeting, the governors of each [constituency](#)—usually a finance minister or central bank governor—publish a statement that summarizes the views of his or her constituency. During the 2008 Spring Meetings, two important reforms relating to the IMF's governance were presented to the Board of Governors for approval. [Quota and voice reform](#) aimed at bringing decision making at the IMF [in line with changes in the global economy](#). [Income and expenditure reform](#) aimed to put IMF finances on a more sustainable footing.

Both reforms met with overwhelming endorsement. Below are excerpts from the Governors' statements to the IMFC on these two topics.

Quota and Voice Reform

[P. Chidambaram](#)
[Minister of Finance, India](#)

Speaking on behalf of constituency that includes Bangladesh, Bhutan, India, and Sri Lanka

A degree of credibility in the IMF's governance has been undoubtedly restored in the recent exercise in realigning quotas and votes. In Singapore, we identified the need to arrive at a simple, transparent quota formula that adequately captures the changing economic weight of countries in the world today. I believe that the current formula is a definitive step in that direction. While we may still have issues on how "openness" or "variability" should be measured, there is no gain saying the fact that the current construction is a marked improvement over the previous five formulae which were opaque and complex. The second round ad hoc increase in quotas is also a move in the right direction. While there can be arguments both for and against the adequacy of the rebalancing, it can be nobody's case that the marginal rebalancing achieved is either perverse or in the wrong direction. That said, I need to reiterate that India views the current round of quota and voice reform as only the first step in a process that needs to be carried forward. We would welcome a periodic realignment of quota shares as the global economy gets re-structured over time. We would welcome fellow Governors endorsing a programme of reviews not linked to concerns of liquidity alone, as is the current practice.

[Tito Mboweni](#)
[Governor of the South African Reserve Bank, South Africa](#)

Speaking on behalf of constituency that includes Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe

We welcome the progress made in a number of areas of quota and voice reform, and note that in the broad context of the Fund's history, several elements of the package represent significant structural shifts. These include the trebling of basic votes, and the incorporation of PPP as a measure of GDP. (...) Nevertheless, we remain very concerned that the proposed package of reforms falls short of the provisions of the Singapore Resolution and the constituency expectation of at least retaining members' pre-Singapore quota shares, particularly in light of the fact that African countries comprise over a quarter of the Fund's membership and are a significant part of the Fund's lending, surveillance and Technical Assistance work. (...) We consider the Board's recommendation for an amendment to the Fund's Articles to enable the Executive Directors elected by 19 or more members to appoint an additional Alternate Executive Director as a necessary tool for alleviating the burden placed on African offices to represent a large number of programme countries.

[Zhou Xiaochuan](#)
[Governor of the People's Bank of China](#)

Speaking on behalf of the constituency representing China only

As a key step in improving the Fund's governance and enhancing its legitimacy, we welcome broad consensus on the quota and voice reform reached through the joint efforts of all parties. While the proposed package is a step forward, it falls far short of the objective of the Singapore Resolution. However, we are willing to take a pragmatic approach to promote further progress on this reform. We stress that the quotas of under-represented members should be further adjusted in the next general quota review and a regular mechanism for quota adjustment established. This will allow quota shares to better capture members' changing positions in the world economy and the Fund's governance structure to reflect globalization trends and the role of emerging market economies, thereby enhancing the legitimacy and relevance of the Fund.

[Henry M. Paulson, Jr.](#)
[Secretary of the Treasury](#)

Speaking on behalf of the constituency representing the United States only

Reform of the IMF's governance structure is overdue. I welcome the opportunity to join emerging market countries and the broader IMF membership in supporting a quota reform package. **While we would have preferred a more ambitious reform package, this reform is a first step forward in the right direction,** which boosts the weight of dynamic emerging markets and will result in a governance structure that better reflects the realities of the global economy. It improves on the status quo. We are particularly pleased that GDP will have a stronger weight in the quota formula, which will position dynamic emerging markets to see their voice in the IMF rise in the years to come. The voice of the poorest countries will also be protected. Achieving consensus on an issue of this kind was not easy, as political realities posed significant constraints and headwinds. But this package has gained the

broad support of emerging market and developing countries, and represents a consensual first step forward. (...) With this package, the Fund cannot rest on its laurels, however. Its governance structure will need to continue evolving in the years ahead, and in particular the Fund must refine the new quota formula to better reflect the realities of trade among countries. As part of governance reform, we call on other IMF members to join us in supporting a smaller, more strategically focused Board. The Board is simply too costly and a smaller and more streamlined Board could focus more strategically on the management of the institution and less on the voluminous crush of papers. In this regard, we favor reducing the number of Board chairs from 24 seats presently to 22 seats by 2010 and 20 seats by 2012. To facilitate consolidation of seats, we also favor eliminating the current practice of permitting the five largest shareholders to appoint their own directors, and instead believe all Board chairs should be elected.

Ibrahim A. Al-Assaf
Finance Minister of Saudi Arabia

Speaking on behalf of the constituency representing Saudi Arabia only

It is unfortunate that the proposed reform package falls way short of achieving a more balanced representation for emerging market and developing countries. Indeed, the fact that a number of highly respected observers have come out so strongly against the proposed reform package highlights the problems with the package and the clear bias in the quota formula against emerging market and developing countries. This is evident since there is no change in the post-Singapore quota share of these countries despite the large size of the proposed second round ad hoc quota increase. Indeed, the quota share of these countries would have declined if not for the improvised elements that were included in the second round ad hoc quota increase.

Tarisa Watanagase
Governor, Bank of Thailand

Speaking on behalf of constituency that includes Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, and Vietnam

Giving voice and ownership to member countries will increase the legitimacy and efficacy of the IMF. In this regard, we have indeed come a long way from where we started two years ago. (...) We welcome the flexibility and compromise shown by the members of the Executive Board in agreeing to the package we have at these Spring Meetings. It is indeed a delicate balancing act, having to take into account the differing views and interests of all member countries. (...) While no quota reform package is perfect, it is broadly in line with the objectives set out in the Singapore Resolution. Like many others, however, we are disappointed that the headline shift of quota shares from advanced countries to emerging market and low-income countries – which will be the public's point of focus – is a meager 1.1 percentage points. (...) Within our constituency, many of us will still be highly under-represented after the second round of ad hoc quota increase. However, in the spirit of compromise and flexibility, we are prepared to support this package on the understanding that this is the first of many steps in a reform process which will eventually see all countries close their under-representation. In this connection, we underscore the importance of future realignment of quota shares on a periodic basis, beginning with the Fourteenth General Review of quotas, as is currently proposed in the package.

[John Flaherty](#)
[Minister of Finance, Canada](#)

Speaking on behalf of constituency that includes Canada, Ireland, Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

The recent agreement to modernize the IMF's quota system is an historic event in that it recognizes the growing importance of a new group of countries in the global economy. It is an understanding that can reanimate the spirit of international cooperation on which the Fund was created. (...) And I believe we can move forward knowing that the quota deal can re-energize members' belief in the importance and ultimate legitimacy of the institution. (...) Canada experiences one of the largest vote share declines of any member country. Nevertheless, we still firmly support the deal on quota and voice reform: though Canada has shown solid economic performance, many emerging market economies are growing even faster. It is thus appropriate that their vote shares should rise relative to our own. (...) Most fundamentally, this quota agreement is in Canada's interests. As a country whose prosperity is inextricably linked to developments beyond our borders, we benefit from a more legitimate and effective IMF, better able to fulfill its mandate of supporting a prosperous global economy.

[Martin Lousteau](#)
[Minister of Economy and Production of Argentina](#)

Speaking on behalf of constituency that includes Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

After lengthy discussions, we are asked to vote on a reform package that will in itself not redress the Fund's governance structure. It could only be seen as very modest first step in the right direction as the incoming quota increases will raise the representation of some dynamic emerging market economies. (...) **The reform fails to include a work program to revamp the Fund's governance structure. As the Fund is less into the business of lending and more into the business of supervising economies and preserving financial stability, its governance structure should evolve.** In a lending institution, it is reasonable that the more money a member puts into it, the more influence (i.e., votes) it has on its decisions. However, this logic does not bode well in a supervisory and regulatory institution where all members are equal in rights and obligations. The Fund's governance structure is prepared for its lending role, but it is totally unfit for its progressively more important supervisory and regulatory role. We think that it would be appropriate for the Executive Board to use a double majority system (of weighted votes and members) to adopt policy decisions; particularly those that are not strictly related to the use of Fund resources. We will continue to make the case for a meaningful reform of the Fund's governance structure.

[Christine Lagarde](#)
[Minister of Economy, Industry, and Employment](#)

Speaking on behalf of the constituency representing France only

France welcomes and supports the proposed Resolution of the Board of Governors on the Reform of Quota and Voice in the IMF. This reform will reinforce the Fund's governance and France will support it in the Board of Governors. (...) Although we strongly believe that some technical aspects of the reform are still not consistent with the principles of the Fund, notably the inclusion of a blended GDP variable including GDP measured at PPP, we acknowledge that the proposed reform package succeeded in reaching a difficult balance between the differing views and priorities of the membership. The flexibility shown by most members is worth being welcomed: it is a sign of a commitment to a more credible, legitimate and effective institution. **France, like other industrialised countries, has made substantial concessions in the course of the discussions, with the view to building a compromise broadly acceptable. France, together with the UK, is proud to be the main individual contributor to the reform.** The EU participates fully to the reform thanks especially to voluntary foregoing of quota shares.

Jose Felix Rivas-Alvarado
Director, Central Bank of Venezuela

Speaking on behalf of constituency that includes Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and the Bolivarian Republic of Venezuela

On the agreement reached by the IMF Executive Board to produce a proposal on governance of the Fund, **we believe that although the solution devised is not perfect—as it is an attempt to reconcile viewpoints which, at the outset, seemed totally incompatible—the agreement is indeed a first step toward democratizing and restoring the legitimacy of the Fund.** For instance the reform does indeed give greater weight to the low-income countries by tripling their basic votes, as well as to important dynamic countries, many of which are emerging economies.

[Tomasso Padoa-Schioppa](#)
[Minister of Economy and Finance, Italy](#)

Speaking on behalf of constituency that includes Albania, Greece, Italy, Malta, Portugal, San Marino, and Timor-Leste

The second ad-hoc increase will further contribute to the realignment of the voting power of the most underrepresented members, whose voting power has fallen well below their increased weight and role in the global economy. A substantial increase in the voting share of developing economies will be possible through a considerable increase in basic votes; the decision to triple basic votes goes well beyond the Singapore resolution commitment. Like some other advanced economies, Italy will contribute to the quota increase of the most underrepresented members by partially forgoing its own quota increase. **With this decision the IMF has remained at the forefront in adapting its governance to the rapid evolution of the global economies and will play a leadership role for other international organizations.**

[Mohammed Laksaci](#)
[Governor of the Bank of Algeria](#)

Speaking on behalf of constituency that includes Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, and Tunisia

The proposed quota and voice reform package, as recently approved by the Executive Board and submitted to the vote of the Governors of the Fund, includes positive elements which, taken together, constitute an important first step toward the objective of enhancing legitimacy and effectiveness of the Fund. In this regard, we welcome the proposed tripling of basic votes, even though past erosion of their relative importance in total votes is far from being corrected. We also welcome the use of PPP-GDP in the new quota formula, although we believe that a higher weight for PPP-GDP in the blend would better reflect economic realities and improve the formula. The increase in the voting shares of the most dynamic countries, including several emerging-market economies, and those of low-income countries and other developing countries, which results from the proposed reform package, is in line with the recommendations of the Singapore Resolution as is the proposal for an additional Alternate Executive Director for each of the two Sub-Saharan African constituencies. However, the package falls well short of meeting the international community's expectations of a significant change in the governance structure of the Bretton Woods institutions, including through a meaningful redistribution of quotas and voting shares from advanced to developing countries. Indeed, it would take more than the proposed modest increase in the voting share of developing countries to achieve this objective. We welcome the recognition of the need to refine the formula, including on the measure of openness and variability, and hope that the Board's work on this refinement could start as soon as possible. We also welcome the call on the Board to recommend further realignments of quotas on the occasion of future quota reviews.

[Fukushiro Nukaga](#)
[Minister of Finance](#)

Speaking on behalf of the constituency representing Japan only

Over many years, Japan has emphasized the need for quota shares to better reflect each member's relative position in the world economy. **In order for the IMF to maintain its relevance and effectiveness in the fast-changing world economy of the 21st Century, it is indispensable that this reform become effective as soon as possible.**

Peer Steinbrück
Minister of Finance, Federal Republic of Germany

Speaking on behalf of the constituency representing Germany only

The proposed reform package strikes a careful balance between the differing views and priorities of IMF members. Consequently, the content of the reform is a compromise that required flexibility from all sides. (...) Germany contributed to the success of the reform also in terms of the shift of voting shares, including through voluntary foregoing of quota shares.

[Didier Reynders](#)
[Deputy Prime Minister and Finance Minister of Belgium](#)

Speaking on behalf of constituency that includes Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey

We support the proposed resolution of the Board of Governors on the ad-hoc quota increases, the tripling of the basic votes and the possibility for Executive Directors, who are elected by large number of countries, to appoint a second Alternate Executive Director. A significant amount of quotas is allocated to dynamic economies, many of which are emerging markets. The tripling of basic votes will protect the voting share of small and low-income countries. The agreement on the new quota formula and on the distribution of the ad-hoc quota increases is a compromise. We observe that the ratio of actual quota over calculated quota, for a few countries, including Turkey, remains almost as low as it was before Singapore. This shows that these countries continue to be highly underrepresented. In the future, the Board of Governors should consider ad hoc quota increases for the few countries that are significantly underrepresented.

[Guido Mantega](#)
[Finance Minister of Brazil](#)

Speaking on behalf of constituency that includes Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, and Trinidad and Tobago

Regarding the quota and voice reform, I would like to express our sincere appreciation to the Managing Director for his personal efforts to bring it to a rapid and satisfactory conclusion. **I would also like to thank other chairs who supported the reform approved by the Executive Board, especially those who, although losing relative voting power in this institution, agreed to go ahead with the process. It was a magnificent gesture on the part of those countries, which are thus beginning to make room for new partners.** (...) An important new feature was the inclusion of GDP calculated in terms of purchasing power parity in the new quota formula. This criterion favors the developing countries in particular. (...) The tripling of basic votes favors small countries. (...) I would like to highlight two commitments for the future which were included in the Report of the Executive Board to the Governors. First, two variables in the formula – openness and variability – need to be improved so that they can properly fulfill their economic role in quota calculations. Second, the current reform is part of a dynamic process. Member quotas should be adjusted periodically, every five years, in the context of future general reviews so that they reflect the relative position of the member countries in the world economy. Another issue is the level of access to Fund resources. The reform fulfills the objective of increasing the quotas of several emerging and developing countries. This was a positive outcome. However, even in the case of those countries, and even more so of those which did not obtain an increase, the IMF quotas do not satisfy their financing requirements in the event of balance of payments crises.

[Hans-Rudolf Merz](#)
[Minister of Finance of Switzerland](#)

Speaking on behalf of constituency that includes Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

The agreement reached among members that concludes the second stage of the quota and voice reform is in many respects unsatisfactory. It is a product of realism

and compromise. While I continue to subscribe to the overall objective and also support the measures that will enhance the voice of low-income countries, my main concerns relate to the new quota formula. I continue to have strong reservations in this regard. However, I also clearly recognize the importance of this reform for the Fund and its entire membership. It is in this spirit of collective interest that I am willing to support the second Resolution on quota and voice reform. The *new quota formula* does not sufficiently anchor the functions of quotas, nor does it reflect the responsibilities of the Fund and its members. These responsibilities are derived from its mandate as a monetary institution with global financial stability as its core mission. GDP at market rates, not in PPP terms, is the sole measure to accurately reflect members' economic position in the context of the Fund's mandate. (...) As the formula is geared to political ends, it does not establish an economically sound and lasting basis. In particular, it does not sufficiently mirror financial globalization even as the Fund refocuses its strategy in this direction. I believe that even a 30 percent weight for openness is too low in a globally integrating world. Any further increase in quotas will thus need to be effected based on a revised formula.

[Sultan N. Al-Suwaidi](#)
[Governor of the United Arab Emirates Central Bank](#)

Speaking on behalf of constituency that includes Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, and Yemen

We acknowledge and welcome the progress that has been realized since we embarked on our discussions on the subject, particularly the inclusion of GDP PPP blend and a compression factors, the proposal for tripling of basic votes, and the appointment of an additional alternate executive director for each of the African chairs. (...) Nonetheless, the proposed package falls short of the key objectives set out in the Singapore Resolution. At 1.1 percent, the increase in quota shares of emerging market and developing countries from the pre-Singapore level is entirely due to the first round, and is far from being significant in realigning the share of emerging market and developing countries with their evolving weight in the global economy. That said, **we consider the agreement on the proposed package to be a first step in a dynamic process with the objective of realigning the Fund's governance structure with the evolving realities of the global economy.** In this connection, we underscore the importance of periodic reviews of quotas to rebalance quota shares toward the most dynamic economies and raise the shares of underrepresented members. Specifically, an outcome of future quota realignments should be a further increase in the voting share of emerging market and developing countries as a whole.

[Anders Borg](#)
[Minister of Finance, Sweden](#)

Speaking on behalf of constituency that includes Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden

For the IMF to reinforce its legitimacy, it must truly represent – and must be seen as truly representing – all of its member countries. We welcome the agreement on the quotas and voice reform and we call for a rapid implementation of the 2nd round ad hoc quota increases. Postponing an agreement would have been the worst of outcomes. We are particularly pleased that the agreement enhances the participation and voice of low income countries, by tripling the basic votes. (...) To ensure full relevance of the

Fund, the Board should remain sufficiently broad to ensure adequate representation of rich, poor, large and small countries. Against this background, it is important not to reduce the size of the Board.

[Alastair Darling](#)
[Chancellor of the Exchequer](#)

Speaking on behalf of the constituency representing the United Kingdom only

Crucial to the Fund's credibility in the eyes of its members is a legitimate process of governance that more accurately mirrors the realities of the global economy, particularly the growth of emerging markets, and that increases the voice of the poorest members. We are grateful to the Managing Director for this proposal and the UK has already voted to approve this landmark Governors' Resolution. (...) One way in which political legitimacy could be strengthened would be to establish an IMF Council as provided for in the Fund's Articles of Agreement. A Ministerial Council could foster a stronger sense of political ownership and responsibility for the work of the Fund.

[Wayne Swan](#)
[Treasurer, Australia](#)

Speaking on behalf of constituency that includes Australia, Kiribati, Korea (Republic of), Marshall Islands (Republic of the), Micronesia (Federated States of), Mongolia, New Zealand, Palau (Republic of), Papua New Guinea, Philippines, Samoa, Seychelles, Solomon Islands and Vanuatu

The Executive Board's finalisation of a package of quota and voice reforms, representing an important step in delivering on the objectives of the 2006 Singapore Resolution, is a significant accomplishment. (...) It also sets an important foundation, recognising that these are the first steps in a longer-term exercise. The proposed Governor's resolution includes a clear directive to the Executive Board to recommend further realignment of members' quota shares at future general quota reviews (starting with the 14th General Review of Quotas), establishing the realignment of quota shares as a dynamic process and acknowledging that there is much more to do. (...) We are ready to engage constructively within the Board and management on how we can make the Board more strategically focused and more effective and efficient in its decision-making processes. For the future, we also believe that the selection of the senior management of the Fund and World Bank should be based on merit, conducted transparently and ensure broad representation of all member countries.

[Wouter Bos](#)
[Finance Minister, The Netherlands](#)

Speaking on behalf of constituency that includes Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Republic of Macedonia, Moldova, Republic of Montenegro, The Netherlands, Romania, and Ukraine

Our constituency welcomes the progress made on IMF quota and voice reforms. The proposal of the Executive Board currently under consideration of the Board of Governors, would significantly realign member's quotas with their relative positions in the world economy. Our constituency –consisting of advanced, emerging and low-income countries –

has supported this process and has made several concessions, including on the high weight for GDP, the size of the ad hoc increase and the exclusion of financial openness in order to reach a compromise. **We are willing to accept a decrease in our combined voting share for the greater good of enhancing legitimacy of the Fund. In light of the above, our constituency can accept the proposal and calls on all members to support the proposed package.** As this is the result of a lengthy process of negotiation, we want to stress that the agreement should be implemented integrally and is not open for further negotiation.

M. Paul Toungui

Minister of Economy, Finance, Budget and Privatization of Gabon

Speaking on behalf of constituency that includes Benin, Burkina Faso, Benin Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Union of Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Sao Tomé & Principe, Senegal, Togo.

L'ensemble des réformes des quotes-parts et voix au FMI qui est actuellement présenté au Conseil des Gouverneurs est, à notre sens, en ligne avec la Résolution de Singapour et permet de réaliser des avancées supplémentaires. Cela constitue une étape importante dans le renforcement de la gouvernance de notre institution et dans l'amélioration de sa représentation. Nous appuyons donc cet ensemble de réformes.

En particulier, nous accueillons très favorablement le triplement des voix de base, ce qui constitue un progrès vers l'objectif de préserver le pouvoir de vote des pays à faible revenu dans leur ensemble.

Nous apprécions le caractère coopératif de l'institution reflété par l'inclusion dans la formule des quotes-parts d'une variable hybride du PIB qui tient compte de la valuation des marchés mais aussi des activités économiques réelles des pays membres. L'inclusion d'un facteur de compression et la renonciation par certains pays avancés d'une partie des quotes-parts supplémentaires auxquelles ils auraient droit répondent également de cet esprit coopératif. L'amendement proposé des Statuts du FMI visant à permettre aux sièges représentant un nombre élevé de pays membres de nommer un second Administrateur-suppléant va également dans le sens de la Résolution de Singapour. Cependant, nous reconnaissons que des travaux supplémentaires sont requis pour améliorer davantage le modèle des quotes-parts et voix du FMI. Pour notre part, la principale préoccupation qui demeure concerne le besoin de revisiter la définition de la Variabilité. La mesure proposée ne reflète pas de manière appropriée la vulnérabilité et la demande potentielle d'un pays en ressources du Fonds. En effet, cette mesure fait paradoxalement des pays avancés les membres les plus vulnérables et plus demandeurs de ressources du FMI que les pays à faible revenu par exemple. Par conséquent, une revisitation de la définition de la Variabilité est nécessaire. Le calendrier d'adoption de l'ensemble des réformes d'ici les Assemblées annuelles 2008 reste approprié et les résultats des travaux supplémentaires nécessaires peuvent être intégrés ultérieurement.

New Income and Expenditure Framework

The [*IMF's New Income Model and Expenditure Framework*](#) was [*endorsed by the Executive Board on April 7*](#), and will be voted on by the [*IMF's Board of Governors*](#) during the next few weeks. Below are excerpts from the [*statements before the IMFC*](#)..

[Tito Mboweni](#)
[Governor of the South African Reserve Bank, South Africa](#)

Speaking on behalf of constituency that includes Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe

We support efforts to improve the Fund's income position through the implementation of a number of recommendations made by the Committee of Eminent Persons, and considered by the Board as most likely to yield substantial revenue. In this regard, we are encouraged by the new income model and suggested expenditure reform, particularly the US\$100 million reduction in annual administrative spending. We welcome the mandate given by the Board to authorise the sale of the Fund's post- Second-Amendment gold and support the expansion of the Fund's investment authority, to maximize the income of the Fund. Though we understand the need for downsizing, we believe that the process should depend on voluntary separation mostly, be undertaken with a "human face," and should preserve the diversity of staff at the Fund. We broadly support the establishment of an endowment from proceeds realized through post Second-Amendment gold sales as well as the investment of a small portion of quota resources of all members, provided members can participate, equitably, in determining the framework for the investment of quota resources. We recognize the value of charging countries for the provision of technical assistance to generate an income for the Fund, but we do not support charging low-income countries for technical assistance.

[Henry M. Paulson, Jr.](#)
[Secretary of the Treasury](#)

Speaking on behalf of the constituency representing the United States only

We welcome progress toward putting IMF finances on a sustainable footing. We support Managing Director Strauss-Kahn's proposal for staff cuts on the order of 10% and a \$100 million reduction in the medium-term administrative budget, in real terms, to meet a medium-term budget gap estimated at \$400 million. **For our part, we recognize that new sources of income are also necessary and we are committed to seeking Congressional authorization for a limited sale of IMF gold to finance an endowment.** Looking forward, on-going budget discipline will be critical to ensure that savings are not eroded.

Ibrahim A. Al-Assaf
 Finance Minister of Saudi Arabia

Speaking on behalf of the constituency representing Saudi Arabia only

I note the progress made in developing a new income model for the Fund. It is important, however, to implement the agreed measures, which are broadly in line with the recommendations of the Committee of Eminent Persons (CEP), in a timely manner. Indeed, it will be advantageous to reach a decision quickly regarding the sale of gold, given the lack of a need for an amendment of the Articles of Agreement, the current level of gold prices, and the time it may take to sell the gold in a phased manner in order not to disrupt the gold market. A dividend policy also needs to be developed to ensure that any excess income does not go into additional spending or unwarranted expansion of the Fund's activities.

Jose Felix Rivas-Alvarado
Director, Central Bank of Venezuela

Speaking on behalf of constituency that includes Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and the Bolivarian Republic of Venezuela

On the income side, it is essential that the Fund has sufficient income sources that are also diverse and do not depend on its lending activities. In this sense, **the fact that the Fund's operations will no longer be financed exclusively by debtors is a positive step.** Regarding the specific proposals, we believe that improving the Fund's capacity to obtain resources by broadening its investment authority and selling some of its gold are important measures, which we support. We understand that this process will be properly and carefully managed, with the utmost caution to avoid any disturbances on international markets. However, we also believe that other options suggested in the Crockett Report, such as investing some of the quotas, should also be considered in the future. Regarding the expenditure reduction exercise, we understand that it is an essential part of the strategy, as well as a key tool for refocusing the IMF on its core responsibilities. We wish to emphasize, however, that these spending cuts should not jeopardize the effectiveness of core activities such as bilateral surveillance and technical assistance.

[John Flaherty](#)
[Minister of Finance of Canada](#)

Speaking on behalf of constituency that includes Canada, Ireland, Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines

The IMF as a financial institution must have the stable financial footings to allow it to play a credible role in the international financial architecture. A strong budget position ensures stability and independence in its operations, and ensures the Fund is able to respond quickly and effectively in times of uncertainty. (...) The recent Executive Board approval of the 2009–2011 medium-term budget, which implements a significant cut in administrative spending, is a key milestone. The budget correctly orients the IMF's outputs, expenditures and activities toward such goals as achieving a vision of the institution as a key player in surveillance of linkages between the financial sector and the broader economy. (...) I welcome the leadership shown by Executive Directors in reducing their own budgets in line with the overall cuts to IMF administrative spending. This demonstration of the Board's commitment to cost-effectiveness is critical for the legitimacy of the exercise; it sends a signal to the valued Fund staff that the Board is prepared to share the burdens of putting the IMF on a strong financial footing. (...) I am also encouraged that the membership is forging a

clear path forward on measures to ensure that the Fund has a sustainable income model for the future. On the income side, my constituency supports a limited sale of IMF gold, provided that this is done in a manner that avoids any potential disruption of world gold markets. We also support the other Crockett Report recommendations currently under consideration by the Executive Board for incorporation into the new income model.

Tarisa Watanagase
Governor, Bank of Thailand

Speaking on behalf of constituency that includes Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, and Vietnam

We are pleased to note the broad consensus on the core elements of the proposed new income model for the Fund and are prepared to give our support to the emerging package. (...) We are also pleased to support the limited sale of Fund gold to establish an endowment to generate income. In fact, we see this as a critical component of the new income model, without which it may be difficult for the Fund to close its budget deficit. We look forward to a prompt resolution on this issue, particularly from the major shareholder.

[Christine Lagarde](#)
[Minister of Economy, Industry, and Employment](#)

Speaking on behalf of the constituency representing France only

New revenue sources have been decided. Even if all measures proposed by the Crockett Committee have not been supported by the Executive Board, substantial progress has been made: the principle of gold sales is accepted and member countries committed themselves to vote or seek approval from their domestic legislature. (...) Yet, Fund's finances should be further strengthened. Therefore, if the new model fails to deliver a sustainable financing for the Fund, further considerations will need to be given to some of the recommendations made by the Crockett committee to generate additional resources. Moreover, **vigilance is needed going forward on the adequacy of the new framework and on the capacity of the Fund to conduct appropriate technical assistance programs. France will pay particular attention to the capacity of the IMF to support low income countries as effectively needed.**

[P. Chidambaram](#)
[Minister of Finance, India](#)

Speaking on behalf of constituency that includes Bangladesh, Bhutan, India, and Sri Lanka

We welcome the significant forward movement on implementing the New Income Model recommended by the Crockett Committee, particularly the sale of the post-Second Amendment Gold and the creation of an endowment. I expect that this proposal will be endorsed by the national authorities across the membership of the Fund expeditiously and a significant source of steady income would be available without further delay. (...) We welcome the resumption of reimbursement of administrative expenditure related to the Poverty Reduction and Growth Facility (PRGF). We hope that the donor countries will honour their commitment and bear the cost of administration. We are

apprehensive that the failure to secure adequate support for the investment of quota resources will adversely affect the sustainability of the model. We would urge member-countries whose support is crucial for implementing this key element to be open to a review of this issue in the next two or three years. The crisis in resources was an opportunity to refocus and reprioritize the activities of the Fund. I expect that the substantial expenditure reductions that have been proposed are in line with the broad strategic direction outlined in the Managing Director's statement on the medium-term budget and the Fund's capacity to deliver on its core mandate and to tackle any future crises is not compromised.

[Fukushiro Nukaga](#)
[Minister of Finance](#)

Speaking on behalf of the constituency representing Japan only

By implementing the agreed measures on both expenditures and income, it is expected that the IMF's expanding deficit problem will be halted. However, the fiscal framework of the IMF would still not be entirely free from potential risks. The IMF should exercise sustained efforts to stabilize its financial situation by consistently reviewing the range of its core functions on the basis of its comparative advantage vis-à-vis other organizations.

[Martin Lousteau](#)
[Minister of Economy and Production of Argentina](#)

Speaking on behalf of constituency that includes Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

Equally important for the legitimacy of the Fund is to put its finance on a sound footing, ensuring that the shortfall will be filled by both income and expenditure measures. We commend the Managing Director's efforts in this sense. **We broadly agree with an expenditure cut of US\$ 100 million in the proposed time frame. This shows that the Fund is prepared to live-up to the austerity it has so often preached.** However, we caution that cutting country representation in Executive Directors' offices will imperil the capacity of developing countries to participate in the business of the Fund. Poor countries do not have teams of public servants following the Fund's business from capitals, but they very much rely on their representatives at the Board. Undercutting their capacity to be represented in the Fund would go against the interests of a truly multilateral institution.

Peer Steinbrück
Minister of Finance

Speaking on behalf of the constituency representing Germany only

We support the key elements of the new income model and endorse the proposed amendment of the Articles of Agreement to expand the investment authority for currencies held in the Investment Account and the Special Disbursement Account. We support a sale of IMF gold, that should be strictly limited to the post-Second Amendment gold, and the investment of the profits in an endowment.

[Tomasso Padoa-Schioppa](#)
[Minister of Economy and Finance, Italy](#)

Speaking on behalf of constituency that includes Albania, Greece, Italy, Malta, Portugal, San Marino, and Timor-Leste

The \$100 million in expenditure cuts will provide the spending side contribution to the achievement of a sustainable balanced budget. Nonetheless, this aim cannot be achieved without modernizing our income model and expanding the revenue base. Therefore, we fully support the selling of a limited amount of gold, which will mean the transformation of a noninterest-earning asset into a source of income, while preserving the robustness of the IMF's balance sheet. We fully share the Crockett report's suggestions that gold sales should be implemented within the Central Bank Gold Agreement (CBGA), so as to avoid undue market disruption. We remain convinced that investing a limited amount of members' quota positions could represent an important source of revenue, which would provide much needed flexibility in meeting any temporary income fluctuations. At the same time, we believe that members' quota positions should only play a residual role in filling any financing gap. To play this residual role, the needed amount of quota position for investment, within an upper limit, can be defined on an annual basis in the context of the budget discussion.

[Didier Reynders](#)
[Deputy Prime Minister and Finance Minister of Belgium](#)

Speaking on behalf of constituency that includes Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey

The Fund should focus on its core mandate and cooperate with other institutions having specialized responsibilities in related fields. However, budget constraints should not justify canceling activities that are necessary for the Fund to implement its surveillance mandate in a changing global economy, particularly bilateral surveillance. (...) **We encourage all member countries to adopt all necessary measures for the implementation of the income model which has been agreed by the Executive Board.** (...) In addition to the components of the new income model, the Board should complete its review on charges and maturities and revisit normal access limits for Fund credit. (...) Access limits for Fund credit should be increased as the existing limits have become small in comparison with the potential financing needs of member countries.

[Hans-Rudolf Merz](#)
[Minister of Finance of Switzerland](#)

Speaking on behalf of constituency that includes Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

I support the objectives that the Managing Director has set in terms of expenditure savings and increasing income. I am pleased that the envisaged significant financial restructuring process is well under way. By combining measures on the expenditure and income sides, it should be possible to achieve a sustainable financing of the Fund. (...) Overall, however, I would have preferred to adopt all elements originally proposed by the Committee of Eminent Persons. This would have given the Fund a rational income model.

The exclusion of the possibility to invest members' quota resources from this package deprives the Fund of a discretionary income instrument. Looking ahead, reaching a formal consent by all members for gold sales will be key. Such sales should be well coordinated with central banks and included in the existing agreement for official gold sales. I do not expect such sales to disrupt the gold market, an experience that is borne out by past gold sales by the Swiss National Bank both directly on-market as well as through the BIS as an agent.

[Wayne Swan](#)
[Treasurer, Australia](#)

Speaking on behalf of constituency that includes Australia, Kiribati, Korea (Republic of), Marshall Islands (Republic of the), Micronesia (Federated States of), Mongolia, New Zealand, Palau (Republic of), Papua New Guinea, Philippines, Samoa, Seychelles, Solomon Islands and Vanuatu

We are committed to placing the Fund's finances on a sustainable footing through both additional income measures and targeted reductions in real expenditures. (...)

Our constituency includes the world's fourth and ninth largest gold producers and therefore we will take a close interest in ensuring that the proposed gold sales are conducted in strict accordance with the parameters agreed by the Executive Board.

[Anders Borg](#)
[Minister of Finance, Sweden](#)

Speaking on behalf of constituency that includes Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden

We strongly support a quick solution and implementation of an integrated approach to income and expenditure in the Fund. (...) On the income side we favour a prompt decision to sell a limited amount of gold. (...) On the expenditure side we welcome efforts that reduce the costs of the IMF while preserving the focus of the Fund's core activities. All decisions requiring amendment of the Articles of Agreement should be implemented in one step.

[Zhou Xiaochuan](#)
[Governor of the People's Bank of China](#)

Speaking on behalf of the constituency representing China only

It has been over a year since the Committee of Eminent Persons (CEP) put forward its proposals to reform the Fund's income model. Delay in activating a new self-sustainable income model will adversely affect the Fund's reputation and hinder the reform process on other fronts. **As the Fund's income/expenditure gap continues to widen, addressing the income shortfall has become no less urgent than cutting expenditure. The Board has come up with specific and feasible proposals based on the CEP recommendations. We call for prompt implementation of the important elements which have gained consensus.** At the same time, we expect further work on other CEP recommendations, including investment of part of the quota resources.

[Alastair Darling](#)
[Chancellor of the Exchequer](#)

Speaking on behalf of the constituency representing the United Kingdom only

We also welcome the progress made by the Board in putting proposals on income and expenditure forward in the report to the Governors. However we must not lose sight of the fact that there is still much work to be done if we are to have in place a Fund finance model that is transparent, sustainable and flexible. We look forward to progress in the coming months on a dividend policy, reserves policy, and joint regular reviews of expenditure and income. It is also important that the Fund is able to take forward the sale of a limited part of Fund gold reserves, and that it does not lose sight of the vital role it plays in promoting growth and stability in low-income countries.

[Sultan N. Al-Suwaidi](#)
[Governor of the United Arab Emirates Central Bank](#)

Speaking on behalf of constituency that includes Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, and Yemen

Securing a predictable, flexible, and equitable source of income is critical in supporting the Fund's mandate. Equally important, agreement on a new income model has become an integral component underpinning the credibility of the ongoing downsizing and refocusing exercise, and should therefore proceed with utmost urgency. (...)We welcome the progress achieved to date and the agreement reached on several key proposals recommended by the Committee of Eminent Persons. In particular, we strongly support the proposed amendments to the Articles of Agreement to expand the Fund's investment mandate and the sale of a limited amount (post-Second Amendment) of Fund gold. We urge colleagues and major shareholders to remain actively engaged with their authorities to ensure a favorable outcome to these proposals.

[Guido Mantega](#)
[Finance Minister of Brazil](#)

Speaking on behalf of constituency that includes Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, and Trinidad and Tobago

Our constituency has supported the effort to redefine the financing model from the outset. We hope that the remaining stages will be completed quickly. We also support the process of downsizing this institution. We consider cutting expenses essential for the long-term sustainability of the IMF.

[Wouter Bos](#)
[Finance Minister, The Netherlands](#)

Speaking on behalf of constituency that includes Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Republic of Macedonia, Moldova, Republic of Montenegro, The Netherlands, Romania, and Ukraine

The constituency generally supports the income generating measures proposed by the Crockett commission. On the issue of reimbursement of administration costs by the PRGF-HIPC Trust, we remain to be convinced that this will not negatively affect the capacity for PRGF loans. On the expenditure side, we are pleased to see the progress that has been made since the Managing Director took office. We also support his aim to use the expenditure cuts to focus the Fund's activities on its core mandate and comparative strengths, which should include financial sector work.

[Mohammed Laksaci](#)
[Governor of the Bank of Algeria](#)

Speaking on behalf of constituency that includes Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, and Tunisia

We take note of the Executive Board's agreement on a new income and expenditure framework to place the Fund on a sound financial footing, focus resources on its core competencies, and help modernize its structure and operations. Building on the recommendations of the Committee of Eminent Persons (CEP), the new income model represents a move away from lending-based income sources to more predictable and sustainable investment-based ones. As called for by the Managing Director, it is crucial that the needed legislative approval be obtained expeditiously to ensure early implementation of key components of the model, namely the expansion of the Fund's investment authority and the sale of part of the Fund gold. This said, inclusion of investment of part of quota resources, a key income source recommended by the CEP, would have strengthened the sustainability of the new income model. We continue to have strong reservations regarding PRGF reimbursements to GRA and the planned decline of and charging for technical assistance in view of its crucial role for developing countries. It would be indeed sending a wrong signal if low-income countries, in particular, were to bear the burden of redressing Fund financial position.

M. Paul Toungui
 Minister of Economy, Finance, Budget and Privatization of Gabon

Speaking on behalf of constituency that includes Benin, Burkina Faso, Benin Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Union of Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Sao Tomé & Príncipe, Senegal, Togo.

Extension de l'autorité d'investissement du FMI: **Nous accueillons favorablement la proposition d'amendement des Statuts du FMI en faveur d'une extension de l'autorité d'investissement du Fonds. Nous appuyons également la disposition visant à assurer que la totalité des bénéfices provenant de la vente d'or acquis après le Second Amendement des Statuts soit placée directement dans le Compte d'investissement et réponde aux objectifs de revenus tout en préservant la valeur réelle à long terme de ces ressources.** L'extension de l'autorité d'investissement du FMI requiert le renforcement du contrôle des risques et des audits. Nous notons le rôle central envisagé pour le Conseil d'administration dans la détermination des politiques d'investissement et dans le suivi de leur mise en oeuvre. Compte tenu du potentiel conflit d'intérêt provenant des activités de surveillance du Fonds, il est important d'établir des garde-fous institutionnels et juridiques adéquats pour prévenir de tels incidents. Dépenses administratives associées au Compte

de fiducie FRPC-FCE: Le retrait d'une contribution du Compte de fiducie FRPC-FCE disponible aux pays à faible revenu devrait soulever des préoccupations à un moment où nombre de ces pays ont bénéficié de l'allègement de dette et où la communauté internationale s'efforce à obtenir un accroissement de financements concessionnels pour éviter à ces pays de retomber dans le piège de l'endettement insoutenable. Toute proposition qui tend à miner l'additionalité de ces ressources devrait, à notre sens, être réexaminée. Nous remercions ceux qui continuent d'exprimer le même point de vue. Dans cette optique, nous pensons que le Fonds devrait continuer à porter sa part des coûts liés à l'appui aux pays à faible revenu, notamment les dépenses administratives associées aux opérations du Compte de fiducie FRPC-FCE. Si cette proposition devenait un point de consensus, nous serions prêts à le rejoindre, pourvu que la capacité de prêt du Compte de fiducie soit préservée et que le remboursement de ces dépenses au Compte des Ressources Générales soit suspendu au cas où cette capacité venait à diminuer.