

DEVELOPMENT COMMITTEE: THE MANAGING DIRECTOR'S WRITTEN STATEMENT

I. INTRODUCTION

1. Over the past six months, the Fund has concentrated on implementing key aspects of its Medium-Term Strategy (MTS), especially in the areas of surveillance and quotas and voice. Work in other areas has focused on the role of the Fund in emerging markets and low-income countries (LICs), building institutions and capacity, and managing an effective institution. In this statement, after summarizing the Fund's assessment of the world economic outlook, I shall report on the progress that has been made on the MTS.

II. GLOBAL ENVIRONMENT AND POLICY RESPONSE

A. Overall Outlook and Policy Response

2. The global expansion remained strong in the first half of 2006, notwithstanding headwinds from a tightening of monetary conditions by the major central banks and further increases in oil prices. As spare capacity is absorbed, it will be important to guard against potential inflationary pressures, particularly if high energy prices start feeding through to underlying inflation. For now, however, the favorable outlook for the global economy remains supportive of global financial markets. Heightened concerns about inflation and tighter monetary conditions in May and June led to weaknesses in equity markets in advanced countries with larger declines in some emerging market asset prices. Markets have recovered subsequently, while the earlier weakening does not appear to have had a major growth impact.

3. The strong global expansion is expected to continue, underpinned by a better-balanced composition of demand across the major advanced countries, robust growth momentum in emerging market economies, strong balance sheets and profitability in the corporate and financial sectors, and still broadly supportive financial market conditions. Global GDP growth is now forecast at 5.1 percent in 2006 and 4.9 percent in 2007. This favorable outlook, however, is subject to risks and some significant vulnerabilities.

- Inflationary pressures could intensify, requiring more aggressive monetary policy action. In particular, it is possible that the restraint on world inflation from global competition may be waning as spare capacity declines worldwide.
- Notwithstanding recent price declines, the continued potential for supply-side shocks in the oil market is a concern. To date, the global economy has been able to absorb increased oil prices quite well because price increases have been driven to a considerable degree by strong demand growth rather than supply constraints. However, with spare capacity remaining at very low levels, a major disruption to a large producer or an escalation of security concerns in the Middle East could well lead to another upward jump in oil prices.¹

¹ Since high oil prices continue to complicate policy making, the Fund has provided advice on the appropriate responses, including in a report prepared for low-income petroleum-importing countries that highlights the

- The U.S. housing market could cool more rapidly than expected, triggering an abrupt slowdown of the U.S. economy.
 - Some emerging market economies remain susceptible to turbulence in financial markets, despite progress in reducing underlying vulnerabilities. Countries that rely heavily on external financing, still have weak fiscal positions and high public debt, or do not yet have well-established monetary and fiscal policy credibility are particularly at risk. Heightened uncertainty in international financial markets combined with domestic risks to the economic outlook could lead to a deterioration in financial conditions.
 - A rise in protectionist pressures if multilateral trade talks fail would adversely affect global trade and growth. Given current risks to the global expansion, this would be the wrong time to let an obvious source of sustained growth slip away.
 - While a smooth private sector-led adjustment of existing large global imbalances remains the most likely outcome, an abrupt and disorderly reduction in these imbalances cannot be ruled out and would impose a heavy cost on the world economy.
 - In the event of a severe avian influenza pandemic, the human and economic costs would be large, particularly in developing countries in Africa and Asia.
4. Policymakers need to push ahead to implement policies that will reduce these risks and vulnerabilities and set the stage for strong sustained global growth in the period ahead. Among the most important areas where policy actions are needed are:
- Taking joint policy actions to address global imbalances, notably through steps to boost national saving in the United States, including fiscal consolidation; greater progress on structural reforms in Europe and Japan; reforms to boost domestic demand in emerging Asia, together with greater exchange rate flexibility to allow for currency appreciation; and increased spending in oil-exporting countries in high return areas, consistent with absorptive capacity constraints, particularly in the Middle East, where the large buildup of investment projects already in train is welcome;
 - Reinvigorating the process of multilateral trade liberalization to allow all countries to take advantage of globalization and support global growth in the future;
 - Making more rapid progress towards fiscal consolidation in the face of aging populations in many advanced countries. Some welcome progress has been made in reducing fiscal deficits, but medium-term budget plans are often neither ambitious enough nor backed up by clearly identified policy measures. Tackling these fiscal concerns effectively will require setting suitably ambitious medium-term budget objectives, as well as putting social security systems on a sound footing and

policy options available for adjusting to the shock, including: fiscal and monetary policy responses, domestic petroleum pricing, maintaining effective safety nets, and hedging strategies. (See *Living with High Oil Prices in Low-Income Petroleum-Importing Countries* (FO/DIS/06/84, 7/20/06).

containing rising health care costs. Structural reforms to improve business environments and competitiveness remain essential to bolster growth prospects in the advanced economies;

- Continuing to implement active debt management policies to reduce debt-related vulnerability and to strengthen local capital markets. In addition, prudential policies, particularly strengthening risk management systems at financial institutions, will reduce vulnerability of financial systems to shocks; and
- Continuing to address the risk of an avian influenza outbreak by moving ahead with necessary public health precautions, and providing the necessary assistance to developing countries to do so. In this context, the Fund has been helping members prepare strategies for reducing the financial market risks of such a pandemic.

B. Regional Outlooks and Policy Response

5. In the *United States*, following strong growth in early 2006, the pace of economic expansion has moderated, and there is a risk that a more rapid cooling of the housing market could dampen residential investment and consumption and trigger a more abrupt economic slowdown. Recent fiscal performance has been better than expected, but a bolder fiscal adjustment effort—coupled with entitlement program reforms—is needed going forward. The U.S. Federal Reserve faces the difficult situation of rising inflation in a slowing economy. The recent pause in interest rate increases provides an opportunity to judge the impact of previous policy tightening and the cooling housing market on growth. Nevertheless, given the importance of keeping inflation expectations firmly in check, some further policy tightening may still be needed. In the *euro area*, the recovery has gained further traction, with growth increasingly driven by domestic demand, particularly investment. A critical challenge is to ensure that the current cyclical upswing translates into a sustained expansion that would support efforts to strengthen fiscal positions ahead of population aging and contribute to an orderly unwinding of global imbalances. In this regard, faster progress in implementing the Lisbon agenda—particularly more open competition in services and more flexible labor markets—and financial sector reforms remain key to raising productivity and improving job opportunities. In *Japan*, the economy continues to expand, and, after 7 years of falling prices, it seems that Japan has escaped from deflation. The transition from zero interest rates has been handled smoothly. Policy priorities should include restoring fiscal sustainability and moving forward with the structural reform agenda to raise productivity. Interest rate increases going forward should be gradual since there is little danger of an inflationary surge, while reemergence of deflation would be costly.

6. In emerging markets, growth is expected to remain strong.

- In *Emerging Asia*, annual growth continues to remain at above 8 percent. Most countries have also so far succeeded in restraining inflation by proactive monetary tightening and helped by real currency appreciation. Nevertheless, sustained policy efforts are required to achieve a better balance between externally and domestically led growth in the surplus countries in the region. In countries where private investment remains relatively weak, reforms aimed at enhancing the business environment are a priority, whereas in other countries, further steps toward exchange rate appreciation

and a continuation of complementary financial sector reforms would help support consumption.

- In *Latin America*, growth remained solid and the expansion is projected to continue at a steady pace. However, global conditions are likely to become less favorable going forward, and disciplined fiscal policy should remain at the core of an effective policy framework for dealing with these more challenging conditions. Structural reforms, particularly to increase labor market flexibility, raise economic openness, and deepen financial intermediation, are needed to unlock the region's clear growth potential.
- In *Emerging Europe*, growth remains robust, underpinned by buoyant domestic demand, but current account deficits in many countries are large and inflation is picking up. The region's heavy reliance on foreign savings makes it vulnerable to a tightening of international financial market conditions. Reducing these vulnerabilities is a policy priority, not least in view of possible regional spillovers, given broadly similar risk exposures and common creditors. Addressing these risks will require a policy mix of fiscal consolidation, adequate prudential supervision and regulatory frameworks, and tightening of monetary policy.

7. In the *Middle East*, in view of rising oil revenues, oil-exporting countries continue to enjoy robust growth, while external current account and fiscal balances improved further. Despite large terms of trade declines, growth in oil-importing countries has also been maintained, reflecting the supportive global environment and rapid credit growth. Managing booming oil revenues remains the central policy challenge for oil-exporting countries. Most countries have taken steps in the right direction by increasing spending to address long-standing structural problems, in particular the need to generate employment and boost infrastructure and human capital development, and to expand oil production and refining capacity. It will be important, however, that higher expenditure be accompanied by capacity-enhancing reforms to bring lasting supply-side improvement. In oil-importing countries, the key macroeconomic challenge is to facilitate economic adjustment to the terms of trade loss, which is likely to be partly permanent. Policymakers throughout the region should also take account of prudential risks in the financial sector.

8. In the *Commonwealth of Independent States*, real GDP growth remained steady, as the region continued to benefit from high commodity prices and correspondingly strong export earnings. However, although often policy makers have used higher revenues prudently, in some countries, governments have granted large pension and wage increases that would be hard to reverse if commodity prices fell substantially. Policymakers should not assume that recent revenue gains will all be permanent, particularly from non-fuel commodities. Nominal exchange rate appreciation is also needed to address the inflationary impact of foreign inflows. Over the medium term, the overall low level of investment in the region presents a risk to the sustainability of growth. Structural reforms to improve the investment climate are crucial to avoid the emergence or aggravation of supply bottlenecks. In oil-producing countries, strengthening institutional capacity is important to ensure the quality of scaled-up spending.

9. The *Sub-Saharan Africa* region is enjoying its strongest period of sustained economic growth since the early 1970s, but growth needs to accelerate further if the Millennium

Development Goals (MDGs) are to be achieved. Sound macroeconomic policies and growth-enhancing reforms remain key to achieving these goals. Such reforms will need to include further strengthening of economic institutions particularly to ensure the quality of spending for the MDGs, improvements to the business environment through streamlining of regulations and better governance, labor market reforms, infrastructural development, and further trade liberalization.

III. THE FUND'S EFFORTS TO IMPROVE SURVEILLANCE

10. Surveillance is central to the Fund's role in preventing crises. It is an integral part of the MTS that surveillance must be made more effective, and continue to keep up with the changing needs of the global environment. Accordingly, the Fund is reshaping its surveillance to meet the demands of integrated financial markets and large-scale private capital flows. Since the Spring meetings, the Fund has taken a number of key steps.

- The new multilateral consultation has been launched that allows the Fund to take up issues of shared concern with several members, or a group of members, at the same time. The topic of the first consultation is how to address global imbalances while maintaining robust global growth, and a policy dialogue has begun with five participants—China, the Euro area, Japan, Saudi Arabia, and the United States. Subsequent consultations on other topics are likely to include different groups of countries that are relevant to the issues then under consideration.
- The Fund is reviewing the foundations of surveillance to ensure they are clear and relevant for today's international monetary system. The Executive Board has had preliminary discussions on a review of the Fund's general decision on surveillance (the 1977 Decision on Surveillance over Exchange Rate Policies) to secure a common understanding and consensus on the operational objectives of surveillance, while not placing any new obligations on member countries. The Board also discussed the possibility of setting a remit for surveillance, based on a set of objectives and priorities. Further work on a framework for assessing the effectiveness of surveillance, will be presented to the Board after the Annual Meetings.
- Surveillance is becoming more selective, and analytical tools such as the Fund's new Global Fiscal Model (GFM) are increasingly being applied to evaluate the impact of fiscal policy changes in industrial and emerging market economies, capture cross-country spillovers and draw policy lessons. Streamlined Article IV consultations have been introduced on an experimental basis to sharpen the focus on key issues, to tailor analysis better to individual country circumstances, and to make surveillance more effective.
- Substantial efforts are underway to strengthen the operational and analytical aspects of exchange rate surveillance. A recent internal study of Article IV staff reports on 30 large economies suggested that improvements are already visible. To make further progress, multilateral assessments of equilibrium exchange rates—the analysis that the Fund does to assess whether exchange rates are broadly in line with fundamentals—are being extended to the currencies of the major emerging economies.

- Substantial efforts are also underway to improve the Fund's understanding of financial markets and to ensure that the analysis of the interplay between real and financial developments is fully integrated into Article IV surveillance. To this end, a single department, the Monetary and Capital Markets Department, has been created by merging the International Capital Markets and Monetary and Financial Systems Departments. A task force has been working on improving financial analysis and financial sector surveillance in the consultations with member countries. This work will seek to strengthen our analysis of the complex interactions between global financial markets and domestic macroeconomic conditions, to improve our ability to assess underlying vulnerabilities in the economy and, in particular, fragilities in the financial sector, and to prescribe policies that will enhance robustness to shocks and thereby help to forestall crises.

IV. ROLE OF THE FUND IN EMERGING MARKET COUNTRIES

11. The Fund is making efforts to adapt, better focus, and enhance its engagement with emerging market countries, which, as a practical matter, largely comprise middle-income countries. Against a backdrop of favorable financial conditions, many emerging market countries have strengthened policies, lowered vulnerabilities, improved their debt structures, and reduced their borrowing from the Fund. Some, particularly in Asia, have built high levels of reserves and expanded regional reserve pooling agreements. Nonetheless, macroeconomic fundamentals still vary widely among emerging market countries and some vulnerabilities remain, as suggested by recent market turbulence. It is therefore prudent for these countries to prepare for times when market access is more constrained and the risk of spillovers is higher.

12. The Fund is considering ways to adapt its policy advice and lending instruments to best support emerging markets' crisis prevention efforts. The efforts described above to make surveillance sharper in its analysis of financial and capital markets, as well as on exchange rate and spillover issues, are particularly relevant in this context, as they will help ensure that Fund surveillance provides focused analysis on the key issues that members with market access face in today's global markets. At the same time, we are looking at measures to reinforce the flexibility and predictability of our lending framework, including through consideration of a new liquidity instrument for countries that are active in international capital markets. The Board has had initial discussions of key issues and design considerations for such an instrument; outreach sessions with members have also provided valuable input on members' views regarding how such an instrument might be designed to meet their needs, while ensuring appropriate safeguards.

13. Some elements of the joint Bank-Fund standards and codes initiative are particularly geared toward middle-income countries. In particular, in the area of data transparency, the Special Data Dissemination Standard (SDDS) is targeted at these countries, especially those seeking market access. More broadly, the MTS has laid out guiding principles for prioritizing new Reports on Observance of Standards and Codes (ROSCs), as follows: (i) systemic and regionally important countries, at all levels of development, (ii) other emerging market countries, and (iii) program countries where the program seeks to address institutional weaknesses in areas covered by ROSCs.

14. I note the World Bank paper prepared for these meetings on its engagement with middle-income countries and broadly support its recommendations. Both the Fund and the Bank have important roles to play in middle-income countries. The Fund's focus will continue to be on macroeconomic and financial policies. We see an increasing need for the Fund to work on financial sector reforms, as they are particularly relevant to mitigating macroeconomic risks. We endorse the paper's recommendations for enhanced country ownership, improved coordination and harmonization of lending procedures across the Multilateral Development Banks and bilateral donors, streamlining of conditionality, and making the provision of advice and technical assistance available separately from the provision of financial support.

15. After the Annual Meetings, work will concentrate on implementing the policy changes endorsed by our Executive Board and making sure they become operational, and on developing the policies required to follow up on the remaining recommendations of the MTS relating to emerging markets. In addition to follow-up work on a new liquidity instrument, we will analyze the role the Fund could play in supporting regional pooling arrangements, including by promoting sound policies in participating countries. We will also review the structure of our charges and maturities, our policies on access, including exceptional access, and our policy on lending into arrears.

V. ROLE OF THE FUND IN LOW-INCOME MEMBER COUNTRIES

16. In accordance with the MTS, the Fund's policy advice to LICs is becoming more focused on macro-critical areas that would support the achievement of the MDGs, including work on the financial sector. This involves looking at absorptive capacity and the macroeconomic impact of increased aid flows and debt relief, policies on the part of LICs and creditors to promote debt sustainability, the provision of financial assistance, and efforts to strengthen members' institutional capacity. These tasks will require a deeper, but more focused, engagement by the Fund, including new understandings with the World Bank and other agencies on the division of labor. Among other issues, the demarcation of responsibilities between the Bank and the Fund is being considered in the Review of Bank-Fund Collaboration now being conducted by an External Review Committee consisting of six distinguished outsiders. The Fund, while not taking the lead, will participate actively in donors' efforts to coordinate their support of low-income countries at both the international and country levels.

17. Indeed, the MDGs will be achievable only if all development partners play their parts to increase aid effectiveness. The Fund plays an important role in this regard in helping ensure that macroeconomic policies are adjusted to accommodate aid inflows and that public financial systems are in order. In turn, we are emphasizing to donors the importance of meeting their pledges to increase their official development assistance and providing early and predictable commitments of support over the longer term. The Fund also firmly supports the aid effectiveness goals and the international commitments embodied in the principles of the Paris Declaration. We urge the international community to implement the Paris Declaration in full, and will continue to collaborate closely with countries and other development partners to achieve that end.

A. Delivering Debt Relief and Maintaining Debt Sustainability

18. The Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) have moved forward. A total of 20 countries have reached the HIPC completion point, and 22 countries have received debt relief from the Fund under the MDRI.² A total of nine countries are between the HIPC decision and completion points. In September 2006, the Fund and World Bank Boards decided to let the sunset clause on the HIPC Initiative take effect and grandfather all countries that are assessed to have met the income and indebtedness criteria at end-2004, which will permit these countries to qualify for HIPC Initiative debt relief at their own pace.³ The Fund will need to mobilize additional resources to allow all potentially eligible HIPCs, including the protracted arrears cases (Liberia, Somalia, and Sudan) to benefit from debt relief under the HIPC Initiative and the MDRI.

19. The Fund is committed to help its low-income members, particularly those that have received debt relief, maintain debt sustainability and develop sound medium-term debt strategies. Debt relief has provided many members with additional borrowing space that can be used to make progress toward the MDGs, but too much and too fast borrowing after the relief may lead to poor investments and, ultimately, to debt distress. The Bank-Fund Debt Sustainability Framework for low-income countries (DSF) is a key instrument for addressing debt sustainability issues, as it provides a framework that captures emerging debt-related vulnerabilities in a disciplined, transparent, and consistent manner, while taking into account country-specific circumstances. A new paper on applying the DSF will be discussed at the Fund and Bank Boards after the Annual Meetings. It will suggest refinements to the framework to adapt it to the increasing availability of financing from private and emerging official creditors post debt relief and to the increasing importance of domestic debt. It will also suggest broad guidelines to strengthen the assessment of new borrowing, particularly the potential impact of debt-financed investment on growth. The paper will also propose guidelines that will allow both borrowers and creditors to use the DSF to share information and reach consistent financing decisions. Although the primary responsibility for maintaining debt sustainability lies with the borrowers, it is also in the interest of creditors and donors to ensure consistency of their financing decisions. The paper will propose ways to foster creditor coordination around the framework.

B. Refining the Fund's Policy Advice

20. In the coming months, the Fund will continue to refine its policy advice to LICs. This will include helping them make better use of their fiscal space to meet the MDGs. The Fund is also helping countries manage increased aid through fiscal and monetary responses to scaled-

² Cambodia and Tajikistan are the two non-HIPCs that have received MDRI relief.

³ Eleven countries are currently identified as having met these two criteria, which may wish to avail themselves of the HIPC Initiative. Other countries could be added in the future, if they are assessed to have met the two criteria at end-2004. *Enhanced Heavily Indebted Poor Countries (HIPC) Initiative—Issues Related to the Sunset Clause* (SM/06/288, 8/17/06).

up foreign exchange inflows. Other work will focus on the role of the Fund in the PRSP and donor coordination.

C. New Instruments for Supporting Low-Income Countries

21. To support members that do not need or want Fund financing, but wish the Fund to support, monitor, and endorse their policies, the Board has now approved arrangements under the Policy Support Instrument for three members: Cape Verde, Nigeria, and Uganda. Several countries have asked for augmentations of access under their PRGF arrangements due to the increase in commodity prices, particularly petroleum product prices. However, no country has yet availed itself of stand-alone support from the Exogenous Shocks Facility, which is intended for countries that are facing sudden and exogenous shocks but do not have a PRGF arrangement in place. We are undertaking a review of the modalities of the Fund's support to post-conflict countries and fragile states to ensure we have the appropriate instruments to help them most effectively.

D. Improving Governance and Building Capacity

22. Improvements in governance are needed to utilize public resources more effectively, including those from debt relief, commodity-related revenue windfalls and external aid, and make progress in achieving the MDGs. Good governance was a key element of the Monterrey consensus, and the Fund has a well-defined and important role to play in strengthening governance in areas within its mandate. For example, the Fund, jointly with the World Bank, provides advice on improving public expenditure management systems including promoting fiscal transparency, which is critical for a more efficient use of public resources, and for ensuring that resources are directed to intended purposes. The Fund also helps build more transparent and effective institutions in the monetary and financial sectors, and improve the quality and dissemination of economic data through its data standards initiatives. Underlying these efforts is a belief that more public accountability through enhanced transparency can raise the quality of public expenditure, reduce poverty, and reduce corruption.

23. On governance, it is particularly important that the Fund cooperate with other institutions and development partners. World Bank staff have prepared a paper for these meetings that articulates the World Bank Group's strategy for increasing its focus on governance and anticorruption as an integral part of its work to reduce poverty and promote growth. I support the goals of the new Bank strategy and trust that its implementation will further strengthen cooperation on governance issues between the two institutions.

24. Further efforts have been made to align the Fund's capacity-building activities better with the needs of member countries and evolving Fund priorities. As sound institutions and implementation capacity are critical for stability, growth, and poverty reduction, the Fund continues to provide policy advice and technical assistance (TA) in areas of its mandate. These activities are also a major element in national and international efforts to strengthen governance, transparency, and accountability. In its TA and training activities, the Fund is increasingly stressing country ownership and coordination with other providers. A third AFRITAC will open in Libreville, Gabon in December 2006, financed mainly by external resources from donors and beneficiary countries. After the Annual Meetings, work will focus on implementing the MTS for capacity building and exploring options for raising additional

external financing for these activities. The Board will discuss the actions that have been taken to implement the recommendations of the Independent Evaluation Office (IEO) on the provision of TA by the Fund.⁴

VI. DOHA NEGOTIATIONS AND AID FOR TRADE

25. Trade liberalization on a nondiscriminatory basis within a framework of common multilateral rules remains the best way to open up new global growth opportunities, particularly for developing countries. I am, therefore, deeply disappointed with the *de facto* suspension of the Doha Round of multilateral trade negotiations, as failure to conclude the trade talks would adversely affect global economic prospects and the growth outlook for low-income countries.⁵ Thus, I look to WTO members to maintain their commitment to the rules-based multilateral trading system, resist protectionist calls, preserve progress that has already been made, and return to the negotiating table to create the basis for an ambitious and successful agreement. Resuming the negotiations will require that negotiators be given mandates based on a commitment to deeper reform. Major trading nations will need to take the lead in forging agreement, but all countries will need to contribute to a successful outcome. Although separate from the Doha negotiations, the Aid-for-Trade agenda can also help poor countries exploit the advantages of open markets in a manner firmly grounded in their national development strategies; however, this will require that donors follow through on their commitments.⁶

VII. QUOTAS AND VOICE

26. Fair weight and voice are crucial to the Fund's credibility and effectiveness. To this end, an integrated package of reforms has been recommended by the Executive Board for adoption by the Board of Governors. This reform program seeks to achieve two main goals: (i) better alignment of quota shares with economic weight in the global economy; and (ii) enhanced participation of low-income countries in the governance of the Fund.⁷ Both elements are central to the reform program. The Board of Governors has been asked to adopt by September 18 a resolution that would provide for an initial limited round of ad hoc quota increases for a small group of countries (China, Korea, Mexico, and Turkey) that are clearly under-represented, and a set of more fundamental reforms to be delivered within two years from Singapore. The latter would include: (i) an agreement on a new quota formula that is transparent and simple; (ii) a second round of ad hoc quota increases based on the new formula; (iii) a commitment to ensuring that quota shares continue to evolve in the future in

⁴ *IEO Evaluation of the Technical Assistance Provided by the Fund* (EB/EVC/05/1, 1/18/05).

⁵ *Doha Development Agenda and Aid for Trade* (SM/06/281, 8/9/06).

⁶ The vehicles of the Fund's provision of aid for trade include the Trade Integration Mechanism as part of regular Fund arrangements, analysis and policy dialogues on trade-related issues, technical assistance for customs administration, and Fund inputs on macroeconomic issues into the diagnostic studies for the Integrated Framework for Trade-Related Technical Assistance.

⁷ *Quotas—Updated Calculations* (SM/06/185, 6/9/06) and *Quotas and Voice—Further Thoughts on Approaches to Reform* (SM/06/212, 6/23/06).

line with countries' changing positions in the world economy; and (iv) an increase in basic votes that would at a minimum protect the existing voting share of low-income countries as a group, and (v) additional measures to strengthen the capacity of the chairs with the largest constituencies.