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September 27, 2021

**Statement by Ms. Mannathoko, Mr. Ismail, Ms. Maudi, and Ms. Nainda on Progress on the Sixteenth General Review of Quotas--Draft Report of the Executive Board to the Board of Governors
(Preliminary)
Executive Board Meeting
September 29, 2021**

We thank staff for the draft report capturing progress on discussions held by the Committee of the Whole on the 16th General Review of Quotas (GRQ). We are broadly supportive of much of the framing but ask SEC to recheck qualifiers in various paragraphs as laid out below. We would be willing to support the adoption of the report and its transmittal once we have assurance that our comments below have been taken into consideration. We also highlight once again, a few points as we prepare to proceed from the initial considerations towards more substantive proposals.

Clarifications Sought

On adequacy of resources, we find the framing in paragraph 11 presents a somewhat weaker stance than was reflected in Directors' statements and ask staff to re-check. We ask that staff instead use the wording in the last paragraph of the main themes (page 1) which was a more accurate representation of positions.

- The last paragraph reads: "Grays agree on the need to ensure the primary role of quotas in the Fund's financing structure, supplemented with borrowed resources to cover tail risks. Views differ, however, on the appropriate size and composition of Fund resources."

Similarly, in paragraph 9, we prefer the wording in main themes where the second last paragraph on the first page reads:

- "Generally, grays emphasize the importance of considering the implications of risks, vulnerabilities, and global trends, including from climate, digital transformation, and other factors that could have systemic implications. Grays note that factors such as increased interconnectedness, uncertainty and underlying global trends could raise the demand for Fund resources."

We propose both these paragraphs be used to replace the corresponding text in the report.

On the quota formula, regarding paragraph 14, last sentence, we ask staff to reframe this as the qualifier “many” and reference to only one view could create the impression this was the dominant view. The numbers in the main themes (and discussion on the floor) show that more Directors called for changing the formula, while fewer called for keeping it. Could staff explore adjusting the last sentence of #14 to read: “While *most* Directors preferred to work on a new formula, there were *some* who supported the current formula,

”, (with appropriate qualifiers).
 On protection of the poorest, we note regarding paragraph 18, that some Directors, including during the discussion on the floor, noted that the simulations in fact reduced the share of poorer regions like SSA, and called for even enhancing the quota and voice of the poorest – noting that enhancing the miniscule regional share would not take much away from others. We hope some aspect of this can be reflected in the report. Apart from the above, we have two additional points:

Adequacy and Fund Resources

We continue to advocate for a strong, quota-based and adequately resourced IMF to preserve its role at the center of the GFSN, noting that this has become even more compelling in the context of the ongoing crisis and amplified financing needs and risks facing EMDEs. As formal discussions on the 16th GRQ progress, careful consideration should be given to the potential implications of risks and vulnerabilities from global trends and emerging issues such as climate change, digital transformation, divergence and other factors that could have systemic consequences for members and a direct impact on future demand for Fund resources. As such, we reiterate our call for a substantial increase in quotas to secure the Fund’s permanent capacity to meet increasing demand for Fund resources.

Quota Formula and Realigning Shares

The initial considerations on the quota formula and realignment of shares, as well as the update of the quota database have been helpful. However, the persistent increase in out-of-lineness underscores the importance of continuing the process of IMF governance reforms and ensuring that quota shares are better aligned with the evolution of members’ economies. In this regard, GDP remains a key variable deserving higher weight, especially in PPP GDP which better captures the real growth in poorer economies, while limiting the impact of high volatility in market exchange rates and commodity prices on the GDP blend variable. We continue to underscore the need for broader protection of the voice and representation of the poorest members to back their efforts to recover from the pandemic, overcome divergence and weather multiple exogenous shocks.

Going forward, we wish to underscore the importance of introducing midpoints to ease consensus building as important compromises will be needed to move beyond the common ground reached during discussions under the 14th GRQ.