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**Statement by Mr. Bhalla and Mr. Goyal on Progress on the Sixteenth General Review of Quotas--Draft Report of the Executive Board to the Board of Governors
(Preliminary)
Executive Board Meeting 21/97
September 29, 2021**

1. We thank Staff and the Managing Director for the draft report to the Board of Governors on the "Progress on the Sixteenth General Review of Quotas". The report is comprehensive and has captured the essence of the Board discussions. We note that Staff has adequately apprised the Board regarding progress made during the 15th GRQ and has updated simulations using the new data. The staff has yet to present their own views or bring new configurations to facilitate a consensus on quota revisions. We believe that the Managing Director would direct the debate and help the Board reach a common ground going forward. Though we have made our observations during the previous discussions, we would nevertheless reiterate a few points for emphasis.
2. It is important that Fund remain adequately resourced. Therefore, the 16th GRQ should revisit the adequacy of quotas. Continued dependence on sources like New Agreements to Borrow (NAB) and Bilateral Borrowing Arrangements (BBA) can at best be a temporary short-term arrangement. In the absence of quota revision, the Fund exposes itself to the risk of continued dependence on temporary resources.
3. The key issue that needs to be addressed is out-of-line-ness which is increasing over time as the relative weight of the emerging market economies is rising in the global economy. We do not agree that the current quota formula is robust and valid for delivering the required shift in Calculated Quota Share (CQS) and only requires minor modification. The major structural shift in the global economy towards the EMDCs would warrant a much larger shift in CQS.
4. While most of the underrepresented countries benefit from an increase in the weight of PPP GDP within the GDP blend variable, inclusion of Voluntary

Financial Contributions (VFCs) would only add to underrepresentation and out-of-line-ness.

5. Finally, there is a need to give more prominence to a formula based selective and *ad-hoc* methods as done during the 14th General Review of Quotas. This will address out-of-line-ness, but it will also be possible to protect the voice of the poorest members in the affairs of the Fund.