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**Statement by Mr. Virmani and Mr. Krishnan on Fourteenth General Review of Quotas—Possible Elements of a Compromise
(Preliminary)
Committee of the Whole for the Fourteenth General
October 6, 2010**

We thank management and staff for the paper outlining elements of a possible compromise on the 14th General Review of Quotas. At the outset, we are a little surprised at the haste being displayed on this issue, given that the IMFC deadline is for the quota review to be finalized by January 2011.

We welcome the proposal for a commitment on a time table for the reform of the formula. A key forward movement in the present proposals is the small “haircut” in quota share for all advanced countries using a common percentage reduction factor which improves the shift in quota share from advanced countries to EMDCs. We also appreciate the gesture of the EMDCs who have agreed to forego a portion of the increase in their quota shares.

However, the modified simulations still do not overcome the main shortcomings we had already highlighted and hence are difficult to support. Even now the overall size of the shift from advanced economies to EMDCs as a group is quite modest. This has resulted from the approach taken in the ad hoc allocation which has used GDP blend as opposed to a greater role for PPP-GDP. We are disappointed that the main factor based on which dynamic EMDCs have been identified; PPP-GDP plays such a small role in the ad hoc quota allocation. A more efficient, targeted and forward looking approach certainly appeared to have broader support in the Board and has not been adequately followed upon. We believe that time is still available for such an approach, which will meet the test of legitimacy.

In our view, in addition to resource requirements, a major element in determining the size of the quota increase is the appropriate realignment of quotas. We are concerned that the possibility of future realignments based on a reformed formula should not be precluded by too large a quota increase in the current round. We doubt that the present proposals meet these tests to merit a doubling of quotas.