

The contents of this document are preliminary and subject to change.

GRAY/21/2509

CONFIDENTIAL

September 7, 2021

**Statement by Ms. Lim, Mr. Mochtar, Mr. Ong, Mr. Dacharux, and Ms. Yoe on
Committee of the Whole: Sixteenth General Review of Quotas—Initial Considerations on
Quota Formula and Realigning Shares and Quota Data Update
(Preliminary)
Committee
September 10, 2021**

We thank staff for the comprehensive papers outlining works on quota formula, quota database update, as well as the accompanying illustrative simulations.

We underscore the importance of quota increases and realignments of shares to better reflect the members' relative positions in the global economy. Indeed, staff found considerable consistency of underrepresented countries and the overall high degree of out-of-lineness, across the current formula and various simulation sets explored under the 15th GRQ. Progress in reducing the out-of-lineness is thus important not only for the Fund's governance but also its legitimacy and reputation.

On the **quota formula**, we reiterate our support for the principles that guided the 2008 quota formula and for staff to build on the previous works to ensure a timely completion of the 16th GRQ. That said, we are clear-eyed that despite intensive work and discussions on the 2013 QFR and 15th GRQ, there were repeated failures to forge consensus among Fund membership. To avoid the same outcome, the Fund should more proactively consult and attempt to build consensus among its membership, perhaps in smaller group discussions, instead of focusing solely on analytical and ever-more simulation work. Through these interactions, the Fund should quickly identify and prioritize work on proposed changes to the quota formula where consensus could be built. We recall for example that reform elements such as dropping the variability component and relooking the weight and blend of GDP component had previously received "broad acceptance across members" during the 15th GRQ. Conversely, proposals where it seemed extremely unlikely for the requisite consensus to be achieved should not be revisited.

Should agreement on a new formula once again prove elusive, we as with several other Directors, call on the Fund to retain the use of the current formula to guide the quota allocation.

On realigning quota shares, the selective increase, based on the quota formula, should be used as much as possible for quota allocation to ensure transparency and fairness.

- We are nonetheless open to ad hoc adjustments to protect the voice and quota shares of our poorest members. We welcome the use of the broadest definition, which includes our small developing state members for whom access to Fund financing support should be maintained. On this note, we encourage staff to provide greater clarity in the scope of eligible countries as well as the distribution of impact of such definition on other members.
- We are not convinced that voluntary financial contributions (VFC) or the soft GDP anchor should be used to guide ad hoc increase.
 - Factoring in VFC is not in line with the principle of the IMF as a quota-based institution. It could also prevent a meaningful reduction in OOL between AEs and EMDCs, with the latter having less capacity to provide VFCs. The diversity in the form of VFC also raises non-negligible operational complications when it comes to defining and constructing an aggregate measure such as the need to determine the relevant time frame for considering contributions, the comparability of these contributions and how to aggregate contributions over time among others.
- **Dilution limits** could be helpful to facilitate discussion and build broad consensus by preventing excessive dilution of quota shares while also supporting the realignment process. This tool could render assurance to some members that the overall impact of the realignment on their shares will not exceed a certain level, and hence mitigate concerns that their quota shares may fluctuate widely.

We can support alignment of the **country classification** across both WEO and quota-related discussion, in order to avoid confusion and promote clear communication, especially in terms of member countries' status and relative positions in the world economy.

Finally, we attach great importance to the **successful and timely conclusion of the 16th GRQ**, and therefore fully support directors' call for staff to set early milestones for both this workstream and that on the Adequacy of Fund Resources. Refinement to the milestones may be needed as the discussions evolve. We also see merit in defining interim milestones, which could help provide some structure to guide and monitor progress in staff's work.