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**Statement by Mr. Alhomaly and Mr. Keshava on Committee of the Whole: Sixteenth
General Review of Quotas—Initial Considerations on Quota Formula and Realignment
Shares and Quota Data Update
(Preliminary)
Committee
September 10, 2021**

We thank staff for an informative set of papers. We would like to offer the following comments on issues for discussion.

General

We reiterate that it is important to have an agreement on the various elements of the 16th Review as a package. In this context, we welcome this initial discussion, which is taking place soon after the consideration of adequacy of Fund resources. We look forward to continued discussion with a view to conclude the 16th Review on schedule. In this connection, we reiterate that decisions on the 16th Review should remain within the relevant IMF bodies to reflect the interests of the entire Fund membership. In particular, the role of other bodies should be limited toward building broad consensus among the Fund membership.

Quota Formula

- We agree that the four principles that guided the current quota formula remain valid and should continue for our work during the 16th Review.
- We continue to hold the view that the current quota formula works well and reflects dynamic developments in the global economy. Indeed, it has consistently performed well in delivering higher calculated quota shares in favor of EMDCs as a group as demonstrated at the time of annual quota data updates with the current update resulting in an increase in the aggregate calculated quota share of EMDCs by 0.2

percentage points to 50.0 percent. Against this background, we remain disappointed that illustrative simulations do not include the current formula.

- Despite extensive discussions over many years, agreement on a new quota formula have not been reached as the simulation results are not acceptable to the broad membership. So, we need to be realistic as we start our work on the 16th Review. To develop a consensus on modifying the current formula, it would be essential that the outcome is acceptable to the broad membership.
- We continue to have serious reservations about increasing the role of the GDP in any new formula. This will further shift quota shares from smaller to larger economies and aggravate the concentration of voting power, which is against the spirit of quota and governance reform. Furthermore, we need to keep in view the role and mandate of the Fund in any discussion on the formula to command broad support. If a broad consensus develops for an additional role for GDP based on the “soft GDP anchor” approach, it will be especially important to preserve the current formula to help build broad consensus.
- Variability is an important variable that should be maintained. Indeed, some measure of variability has always been part of the quota formula. This should continue during the 16th Review as capturing vulnerability to BoP shocks in the formula is essential in light of the role and mandate of the Fund.
- If a broad consensus to modify the current formula is reached, we reiterate that a measure of voluntary financial contributions to the Fund should be included as a variable in the formula. While simulations using ad-hoc increases are steps in the right direction, inclusion of a measure of voluntary financial contributions in the formula will be a superior approach as it will incentivize member countries to contribute financial resources regularly to the Fund. This will help in meeting growing needs of the Fund especially with regard to providing support to low-income countries.

Quota Allocation

- All allocation mechanisms (equiproportional/selective/ad-hoc) should remain under consideration for the 16th Review. As noted in ¶15, the equiproportional mechanism had played an important role in the past reviews and should be considered as a practical option for the 16th Review to facilitate consensus.
- We see merit in considering lower dilution limits, including how to consider those cases where there was substantial loss of the actual quota share in the 14th Review. This will help in building broad support and facilitating a successful conclusion of the 16th Review.

Finally, we support protection of the voice and representation of the poorest members.