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**Statement by Mr. Hosseini and Mr. Ahmed 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 an informative report on Quota Formula, Realignment of Quota Shares, and Quota Data Updates in the context of the 16th General Review of Quota (GRQ).

We remain committed to constructively engage in revisiting the adequacy of quotas and continue the process of Fund governance reforms under the 16th GRQ to be completed by December 15, 2023. We also reaffirm the IMFC's commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the global financial safety net (GFSN).

Here, we would like to reiterate our views on Quota formula and allocation method, as follows:

- 1) The principles that underpinned the 2008 quota reform remain broadly valid.
- 2) The 16th GRQ outcome should reflect a fairer distribution and realignment of quota shares between advanced countries and emerging markets and developing countries (EMDCs).
- 3) We agree that GDP blend should remain the most important variable with the largest weight in the formula. Since the current weighting scheme in GDP blend would largely underestimate the GDP of smaller EMDCs, we support increasing the weight of PPP GDP in the GDP blend to appropriately reflect countries' relative weight and position in the global economy.

- 4) We take note of staff's suggestion to remove the *variability* factor in the formula. It is important to capture vulnerability to BoP shocks in the quota formula and to reflect the potential need for Fund financing. We, therefore, recommend staff to explore alternative measurements that better reflect countries' BoP difficulties or vulnerabilities. Dropping *variability*, without replacing it with an alternative that captures vulnerability, would increase the weights of other variables.
- 5) While *openness* is an important element of the quota formula, we support maintaining its weight but would favour imposing some discipline in the implementation of this variable, including by discounting intra-currency union transactions. *We would also like to understand how staff would deal with measurement issues for countries seriously impacted by non-economic factors including sanctions. Non-economic factors could also affect other variables, i.e. GDP, openness and reserve levels. Staff comments are welcome.*
- 6) We support maintaining the current weight of *reserves* in the quota formula.
- 7) We support limited use of *ad hoc* features to protect the voice and representation of the poorest countries, *without* reducing the share of middle-income countries.
- 8) A sizable and permanent increase in Fund's quotas will diminish the need for temporary, voluntary financial contributions. We do not support accounting for financial contributions by members that also hold large reserves, in order not to amplify the weight of reserves in the formula. We could, however, support limited adjustment in case of those contributing countries with large current account deficits and limited reserves.

Finally, we underscore that new SDR allocation should not undermine the prospects for a successful 16th review of quotas. The 15th Review was a disappointment, and we cannot afford another failure.

We look forward to continued Board discussions on quota-related issues with a view to conclude the 16th GRQ on time.