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September 7, 2021

**Statement by Mr. Mohieldin, Mr. Alhosani, and Ms. Choueiri 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**

1. We thank staff for their comprehensive work and the outreach with our office. Decisions involving the adequacy of Fund resources, potential quota increases and their distribution, as well as the quota formula are closely associated. Today's discussion is, therefore, a timely follow-up to our September 1 discussion on the adequacy of Fund resources.
2. We are committed to engage in revisiting the adequacy of quotas and the process of IMF governance reform under the 16<sup>th</sup> General Review of Quotas by December 15, 2023 and emphasize that decisions on quota and governance reform should remain within the IMF bodies. This is essential to build broad consensus among the membership.
3. With regards **to the size of the overall increase** in quota resources, the staff report for the September 1 discussion clearly indicated that the potential demand for Fund resources could be substantial. In order for the Fund to remain a quota-based institution, this potentially entails a much larger increase in quota resources than reflected in the papers for today's discussion. *Accordingly, we would be grateful if staff could prepare additional scenarios illustrating larger increases in quota shares than 75, 100 and 125 percent.*
4. With regards to **realigning quota shares**, it is essential for the 16<sup>th</sup> GRQ to avoid an outcome in which shifts in quota shares to dynamic emerging markets and developing countries (EMDCs) are made largely at the expense of other EMDCs and shifts to large economies are made largely at the expense of smaller ones, as was the case in past quota

reforms. This is essential to ensure the Fund's legitimacy and its efficiency. It is also important in the context of the COVID-19, which has severely affected many EMDCs.

5. We have the following views on **the quota formula**:

- a. The four principles underpinning the 2008 reform remain valid, including the principle that the formula should produce results that are broadly acceptable to the membership.
- b. The current quota formula works well. It continues to reflect dynamic developments in the world economy and could allow a meaningful realignment of quota shares, as illustrated in the annual quota data updates, including the current 2019 exercise. Moreover, despite extensive discussions over the past years, agreement on a new quota formula could not be reached as the outcomes were not acceptable to the broad membership. Against this background, we do not consider that a change in the quota formula is warranted.
- c. *Variability* is an important variable that should be maintained. It is important to capture vulnerability to balance of payment shocks in the quota formula and to reflect the potential need for Fund financing. We were surprised that the illustrative scenarios presented in the paper did not include *variability*. Indeed, several Directors still support maintaining *variability* in the formula, and the support of some others is conditional on other elements of the reform package. In order to advance the discussions, we encourage staff to explore improved measures of *variability*. *We would also be grateful if staff could run additional simulations including variability in the formula and make them available to the Board.*
- d. *Openness* is an important element of the formula, and its weight should be maintained without caps on the variable. We note that a large share of the membership benefits from the inclusion of *openness*. To improve the measure of the variable, we could consider excluding intra-currency union flows from the measure of openness.
- e. We support maintaining the current weight of *reserves*.
- f. We favor increasing the degree of compression to give greater voice to small countries and EMDCs. *We would be grateful if staff could present additional illustrative scenarios in this regard, including possibly a degree of compression of 0.9375.*
- g. GDP is currently the most prominent variable in the formula. We have serious reservations about increasing its weight, especially when combined with potentially dropping variability, as this would negatively impact smaller EMDCs and increase the concentration of voting power, which goes against the principles underlying the quota formula and the spirit of the quota and governance reform. We support increasing the weight of PPP GDP in the GDP blend as this would facilitate international comparability and benefit LICs and EMDCs, which is more consistent with the spirit

of the reform. The *soft GDP anchor* approach is equivalent to giving more prominence to GDP in the formula, and we do not support considering it.

- h. We are grateful for the generous support that various member countries have extended to the Fund's activities. Nonetheless, we believe that *voluntary financial contributions* to the Fund should not be associated with quota distributions. We would be concerned that a move in this direction would increase the reliance on such voluntary contributions and give a few countries added influence. Accounting for voluntary contributions in the formula would also introduce a bias against poorer Fund members, thus undermining the Fund's legitimacy.
  - i. We continue to support the protection of the voice and representation of the poorest members as defined in the 14<sup>th</sup> Review. In this connection, we support limited use of *ad hoc* increases in quotas to protect the voice and representation of the poorest members, without reducing the share of middle-income countries.
6. The COVID-19 pandemic is likely to have a substantial impact on the 2020 and 2021 datasets, with major variations across member countries which have been affected differently and through various channels. *How does staff envisage to account for the impact of the pandemic on the quota data sets?*