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**Statement by Mr. Huh, Ms. Johnson, and Mr. Yoo 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 a set of informative papers which provide useful background for initial considerations on the Fund's quota formula and realignment of quota shares, by way of updated data, illustrative simulations of possible reforms of the formula based on the discussion in the context of the 15th review. We cannot emphasize enough the importance of periodic review and adjustment of quotas to ensure that quota shares evolve in accordance with member's changing relative weights in the world economy, given the central role of quotas in the Fund's governance and financing.

We continue to support the principles that guided the 2008 quota formula which remain valid. As these principles are the outcome of long and difficult discussions, we should look to build on them in the 16th General Review. We reiterate our support for a consensus package that is underpinned principally by a simplified and transparent quota formula. We continue to see GDP as the most important variable and agree there is scope to further increase its weight. As there is fairly broad agreement on removing variability, the conversation should move quickly from whether to remove it, to how to remove it and where to redistribute its weight. Given the difficulty in agreements to adjust the formula, we also think any factors that are temporary in nature should not be included permanently in the quota formula but dealt with through ad-hoc adjustments.

Our priority remains to address out-of-lineness by better adjusting member's quota shares to better reflect the changing positions of member countries in the global economy, while protecting the poorest and the smallest, thereby improving

representation, governance and voice. We regret that aggregate out-of-lineness has further increased with the current data update, exceeding levels prior to the 14th General Review, and the number of underrepresented countries has also increased to 75, up from 70. We note that simulation results of different illustrative formulas presented in Table 2 show a similar overall level of out-of-lineness. In this context, the quota increase should be distributed based on a selective basis to all members alongside ad-hoc increase to protect the shares of poorest members following the discussions in the 15th General Review. We see merit in considering alternative approaches that could combine additional elements in the distribution of quota increase with a reform of quota formula. We would welcome an update of the previous work on the soft GDP anchor approach and dilution limits which could help broad support to a quota reform. We look forward to consideration of further options. We reiterate our support for measures to protect the quota share of all PRGT-eligible and small developing members to protect their voice and representation and preserve their access to financing.

We would be unlikely to support adding voluntary financial contributions (VFCs) to the formula. This will bring another challenge to the discussion since it is difficult to agree on what contributions should be measured in what time frame and how different types of contributions should be combined. More importantly, VFCs are concentrated in advanced economies and therefore adding VFCs leads to a decline in quota shares for EMDCs and does not address out-of-lineness (as outlined in Table 4).

We are open to updating the country classification used for quota related discussions and aligning it with the current WEO classification. In parallel with the update of country groupings, the impact of quota reforms using the current country groupings could be provided by staff for the only purpose of comparisons in the cumulative impact of the quota reform process as reference.

Lastly, governance reforms to ensure adequate representation and voice should be pursued in parallel with the quota reforms. A renewed commitment to governance reforms is consistent with the consideration of quota to ensure adequate representation and voice, including reconsideration of Executive Board representation and a commitment to a clear and reasonable timetable for finalizing outstanding elements of the 2010 governance reforms.