

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**Text of the Union Finance Minister Shri Arun Jaitley's Speech at the IMFC
Plenary Session in Washington D.C. yesterday**

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Following is the Text of the Union Finance Minister Shri Arun Jaitley's Speech at the IMFC Plenary Session in Washington D.C. yesterday where the Finance Minister spoke about the Global Economy, Indian Economy and the role of IMF among other issues:

"I welcome the Managing Director's Global Policy Agenda (GPA). While we support the broader thrust of GPA, I would like to mention a few points about broader global developments and those pertaining to the Indian economy.

Global Economy

1. As outlined in the GPA, global growth remains disappointing. Advanced economies and EMEs are also expected to grow at a lower rate than previously projected. We support the policy options advocated by the GPA, particularly the emphasis on structural reforms for improving productivity and potential growth. Collective policy actions would also be helpful in mutually reinforcing economic activity and stability.

2. There are ongoing concerns about the implications of spill-overs from Unconventional Monetary Policies (UMPs) in advanced economies. As I have stressed on earlier occasions, policy adjustments should be managed in a manner that minimizes the negative spill overs on other countries. We propose that a mechanism for an independent monitoring and assessment of external effects of such policies must be put in place.

The Indian Economy

3. India continues to maintain high growth. I am happy to note that India is considered as a 'beacon of hope' with rising real incomes and domestic demand in the otherwise gloomy global economic situation.

4. India is projected to grow at 7.6 % in FY2015-16 as compared to 7.2 % in the previous year, despite decline in exports and two consecutive years of unfavourable monsoon. The growth may accelerate further if the monsoon turns normal and external demand picks up.

5. We are taking a number of significant steps to stimulate growth.

i. Investment Promotion

Several initiatives have been taken to *boost business climate and improve the ease of doing business* by simplifying and rationalising procedures and implementing progressive tax rules to overcome impediments to investment. *FDI policy has been substantially eased* in several sectors and entry through the automatic route is permitted in most cases. Further, a Bankruptcy Code would be enacted shortly. The Government has *set up National Infrastructure Investment Fund (NIIF)* for financing infrastructure which will further stimulate investment in infrastructure. The *budgetary allocation for 2016-17 has been enhanced* to support public investment in infrastructure such as roads, railways and ports. *Investments in manufacturing and 'start up' entrepreneurships are encouraged* through leading programs such as 'Make in India' and 'Start Up India'.

ii. Macroeconomic Policy

We are *committed to the medium term fiscal consolidation plan* where we plan to bring down the Fiscal Deficit from 3.9% in 2015-16 to 3.5% in 2016-17. Likewise, the current account remains sustainable in the range of 1.0-1.5% in 2015-16, and may further consolidate during the current fiscal year. Inflation for 2015-16 fiscal is expected to be around 5.5 % and will further decline to less than 5%.

iii. **Tax Reforms**

We have reduced the *burden of corporate taxation* for smaller companies. Such tax rationalisation will make Indian manufacturers globally competitive. Once implemented, the Goods and Services tax (GST) legislation that integrates taxation nationwide and reduces transaction costs would provide a significant impetus to growth.

iv. **Structural Reforms and New Initiatives**

The Government has launched a massive financial inclusion programme. More than 200 million bank accounts have been opened for the unbanked persons. Together with Unique Identification framework and mobile telephones, it has helped in improving the delivery of services and social benefit to eligible persons. Statutory backing for *Aadhaar based services/benefits* delivery has been established to leverage digital technology for efficient delivery of direct benefits. The 'Digital India' program aims at enhancing digital infrastructure, literacy and delivery of services. The 'Skill India' program is being promoted to offer skills based training to youth. A credit delivery program for micro and small businesses – has been introduced through a specially created vehicle, MUDRA bank. To save farmers from losses due to crop failures, a new crop insurance program has been announced with attractive premium rates.

The IMF's Role

6. I will now discuss about the role of IMF in the global economy. The Fund is not only a near-universal safety net but also a knowledge resource. However, it needs to be further strengthened by increased access to resources to enable it to play an effective role in fostering global economic and financial stability. We believe that all the three potential components – self-insurance, bilateral/plurilateral agreements and the multilateral agreement represented by the IMF – are legitimate and complementary components of a robust and fair Global Financial Safety Net (GFSN). We also consider that IMF is in the best position to discharge this responsibility. The Fund could add to the strength of the GFSN by providing predictable and reliable financial support for crisis prevention and resolution.

7. I welcome that the long pending **IMF reforms** agreed in 2010 have finally come into effect, but Fund quotas still do not reflect global economic realities. It is **necessary to complete the Quota Formula Review (QFR) quickly**, so as to better reflect the increasing weight of emerging market and developing countries in the world economy. We also need work towards speedy completion of the 15th General Review of Quota (GRQ) and adhere to the timeline of October 2017. Needless to mention, quota revisions are imperative to reflect fairness and equity in the governance of the Fund in order to reinforce legitimacy of such multilateral institutions, as the role IMF as a safety net becomes increasingly important in a more complex world.

Thank you.”
