India and the International Monetary Fund (IMF)

International Monetary Fund (IMF) was established along with the International Bank for Reconstruction and Development at the Conference of 44 nations held at Bretton Woods, New Hampshire, USA in July 1944. At present, 187 nations are members of IMF. India is a founder member of the IMF. India has not taken any financial assistance from the IMF since 1993. Repayments of all the loans taken from International Monetary Fund have been completed on 31 May, 2000. The objectives of IMF is macro-economic growth, alleviation of poverty and economic stability, policy advice & financing for developing countries, forum for cooperation in monetary system, promotion of exchange rate stability and international payment system.

Finance Minister is the ex-officio Governor on the Board of Governors of the IMF. RBI Governor is the Alternate Governor at the IMF. India is represented at the IMF by an Executive Director, currently Dr. Rakesh Mohan, who also represents three other countries as well, viz. Bangladesh, Sri Lanka and Bhutan.

India’s current quota in the IMF is SDR (Special Drawing Rights) 5,821.5 million, making it the 13th largest quota holding country at IMF and giving it shareholdings of 2.44%. However, based on voting share, India (together with its constituency countries Viz. Bangladesh, Bhutan and Sri Lanka) is ranked 17th in the list of 24 constituencies at the Executive Board.

Quota Reforms

As part of the Fourteenth General Review of Quotas (2010, India’s total quota has been increased to SDR 13,114.4 million from SDR 5821.5 million. With this increase, India’s share would increase to 2.75 % (from 2.44%), making it the 8th largest quota holding country in the IMF. Significantly, the reforms will lead to a realignment of quota shares of member countries, with the shifts to dynamic Emerging Market and Dynamic Countries (EMDCs) and from over- to under-represented countries both exceeding 6 percent, while protecting the voting share of the poorest member.

Governance

At the 24-member Executive Board of the IMF. Currently, the members with the five largest quotas appoint an Executive Director each, while the rest of Executive Directors are elected. However, the reforms of the Executive Board would facilitate a move towards a more representative, all-elected Executive Board, ending the category of appointed Executive Director. To this end, there has been a consensus to reduce the number of Executive Directors representation advanced European countries by 2 in favour of EMDCs (Emerging Market Developing Countries). The amendments are part of a package of reforms on quotas and governance in the IMF. Along with the recent quota reforms in IMF (i.e. Fourteenth General Review of Quotas), these amendments represents a major overhaul of the Fund’s quotas and governance, and help in strengthening the Fund’s legitimacy and effectiveness.

Article-IV Consultations

As part of its mandate for international surveillance under the Articles of Agreement, the IMF conducts what is known as Article-IV consultations to review the economic status of member
countries. Article-IV Consultations are generally held in two phases, main consultations in October-November and mid-term review in June. Latest round of Article-IV Consultations for India took place in October 25–November 9, 2012.

**Financial Transactions Plan (FTP)**

India agreed to participate in the Financial Transaction Plan of the IMF in late 2002. Fifty three countries, including India, now participate in FTP. By participation in FTP, India is allowing IMF to en-cash its rupee holdings as part of our quota contribution, for hard currency which is then lent to other member countries who are debtors to the IMF._ From 2002 to 31 December, 2010 India has made seventeen purchase transactions of SDRs 1194.16 million and twenty-two repurchase transactions of SDRs 795.98 million.

**India’s contribution to lending resources of IMF**

In the London Summit of the Group of Twenty (G-20), a decision was taken to triple the IMF’s lending capacity upto US$ 500 billion. In pursuance of this decision, India decided to invest its reserves, initially up to US$ 10 billion through the Notes Purchase Agreement (NPA), and subsequently upto US$ 14 billion through New Arrangement to Borrow (NAB)._ As of 7 April, 2011, India has invested SDR 750 million (approx. 5,340.36 crores ) through nine note purchase agreements with the IMF.