Consideration of the draft outcome document of the Conference

Addressing Systemic Issues

Thursday, 13 February

03:00pm – 06:00pm

Co-Facilitators,

India has the following suggestions to address systemic issues for your consideration.

<u>Paragraph 53</u>

- In para 53 (a), we highlight the importance of increasing the basic votes to 1/9 of total votes as this would help increase the voting rights of smaller and poorest IMF members. While we can **explore** the increase in basic votes as a temporary measure, we believe that realigning the IMF's quota shares, while protecting the interests of the poorest members through a new quota formula, would be the best solution.
- In para 53 (c), we suggest to create a chair for a Deputy Managing Director position for 'Emerging Market and Developing Economies' for more balanced representation of the members.

<u>Paragraph 54</u>

- There is no compelling evidence that building forex reserves by developing countries will result in increased resource transfers to developed countries as mentioned in para 54. We propose deleting this reference.

- With reference to creating a much larger pool of resources for fast disbursement in response to shocks and crises, as mentioned in para 54 (a) we believe it may be preferable to consider launching of an IMF quick-access lending instrument without conditionalities, until a regular IMF program can be approved, rather than an IMF multilateral swap line. The IMF, on its part, can borrow from members, if necessary and on-lend to needy countries.

- In para 54(d), we do not support rechanneling of 50% of current unused countries by countries in a position to do so, if at all to be considered, it must be from developed countries. Further, we are not in favour of further SDR allocations, as the USD 650 billion equivalent issued in the 2021 SDR General Allocation has not yet been fully utilised. It is essential to increase the liquidity of SDRs before considering any additional allocations.

- While we welcome World Bank Group measures towards reduction in cost of borrowing for developing countries, specially "zero commitment fee for first 4 years of implementation from the date of approval of projects/programs and reduction in cost of borrowing for short term loans" amongst others, we commit to work with the World Bank Group Board for further measures to reduce the cost of lending to the benefit of developing countries. We propose incorporating this as an additional point in paragraph 54 to emphasize the need for further measures to reduce lending costs for developing countries.

Paragraph 56

- In para 55,(a), we recommend adding the following text in the last line: "*and achievements of developing countries in containing their fiscal deficits, reforms, and improved status on other financial and social indicators*."

- Financial regulatory frameworks are designed to appropriately price risks and ensure financial stability. However, despite reforms, the possibility of risk mispricing remains. Rather than attributing this to the frameworks themselves, it indicates the need for stronger regulation. We suggest rephrasing paragraph 56 to reflect that regulatory frameworks do not necessarily cause mispricing of risks. Further, appropriate risk pricing for new instruments (such as lending with guarantees), is essential to enhance financing for sustainable development, especially in LDCs.

Paragraph 57

- India supports the reference of central bank digital currencies as mentioned in para 57.

Thank you.