# Government to fork out $11 billion for higher IMF quota

India's mission to sit at the high table of global finance is going to cost a pretty packet.

The government will shell out over $11 billion to buy a bigger quota in the International Monetary Fund, or IMF. This will give India a greater say in the affairs of the multilateral lender.

Meanwhile, India continues to battle slowing capital flows and a growing fiscal deficit.

Experts say though costly, this is a money well spent. "This money is an investment," said Nagesh Kumar, chief economist with UN-Escap. "India is a responsible nation with a growing clout, so it will also have to share some global responsibility."

Under the IMF's quota reforms of December 2010, developing countries will see a more than 6% shift in quota in their favour. India's vote share is expected to rise 2.69% from the current 2.34% once the quota reforms are approved.

The government says not all of the Rs 56,469-crore budget for quota subscription in 2012-13 has to be paid in cash to the IMF.

"The net cash outgo will be about Rs 14,000 crore," a government official said. The government is budgeted to net borrow Rs 4.7 lakh crore in the current fiscal to meet excess spending, yielding a fiscal deficit of 5.1% ofGDP. Many analysts believe this target could be breached.

Under current IMF rules, up to 25% of the quota amount has to be paid in SDRs, the fund's currency, or in USdollar, euro, yen or pounds sterling. The balance is to be paid in Indian rupees.

According to this formula, 25% of the subscription, or Rs 14,000 crore, will have to be paid to the IMF in hard currency. This will mean nearly $3 billion in foreign exchange outflow at a time capital flows are slowing down. India will pay the balance Rs 42,000 crore in local currency bonds.

*(Economic Times)*