

INDIA
AJIT KUMAR, Alternate Governor

Let me join my fellow delegates in thanking the Asian Development Bank (ADB) and the organizers for the excellent arrangements made for the 34 th Annual Meeting and for their warm hospitality. I would also like to convey to you, Mr. Chairman, my delegation's greetings on your election as the Chairman of the annual meeting.

It is heartening to note that the special theme chapter in ADB's *Annual Report 2000* is devoted to the development of children. Children are future citizens, some of them will emerge as our statesmen who will shape the world in the years to come. We must dedicate ourselves anew to addressing the needs of the child for which new effective programs for health, education, and nutrition need to be designed and funded in each of our countries. We all agree that health, education, nutrition, and environment are critical for their development. I would urge this gathering to also consider the issue of intergeneration equity, which if not given equal importance will collateralize their future for our present. This is true of all our growing children in all countries, more so in developing ones.

The developing economies felt somewhat comforted by the rapid recovery of the global economy last year, but it is now time to confront the challenge of sustaining the momentum in the near future in the wake of a major slowdown in the United States (US) economy. In the recent meeting of IMFC and Development Committee in Washington, widespread concern was expressed by developing countries in the face of a major slowdown in the US economy with its concomitant ramifications the world over. The vulnerabilities appear more daunting because of a rather limited possibility of leveraging the situation out of danger by the locomotive economies of Japan and Europe. Halting recovery in Japan and moderate growth in Europe forecloses such options. I take this opportunity to welcome the new government in Japan and we look forward to structural reform in Japan leading to rekindling of growth

Asian economies having strong trade and financial linkages with the US are likely to experience the early impact of this slowdown. We recognize the fact that while global slowdown will mean perhaps less prosperity for people in developed countries, it will mean more poverty for people in developing countries. It will, perhaps, mean loss of jobs and earnings for some landless agricultural laborers, some weaver in some faraway place, perhaps some craftsman and some industrial worker. The weaknesses in the global equity market precipitating a contagion can also not be ruled out altogether. Concerted and organized policy efforts at this stage can arrest the degenerative forces from developing into a full-blown crisis. We must attempt to establish alternative growth centers and evolve strategies that can offset the US economic slowdown. Further trade liberalization and improved market access in both developing and developed countries would be a prerequisite for such development.

In this respect, ADB has to play a dynamic and proactive role by making available enhanced assistance to the developing countries in the region. A judicious

investment package of sizeable magnitude can stimulate economies to generate demand on a global scale for halting the spiral of slowdown. We also call upon ADB to assist the developing countries, especially the poorest of the poor among them, with capacity building to enable them to take advantage of global trade opportunities. We also call upon ADB to enhance their negotiating capacities so that they can secure better market access for themselves. Special attention would have to be paid to investment in infrastructure as "behind-the-border" development issues are most crucial to provide this impulse to increased and effective participation of developing countries in the liberalized world trade regime.

We are happy to note that during the recent annual meetings both the World Bank and the International Monetary Fund have held that the growth impulses in India and the People's Republic of China are strong and stable at a time of slowdown in many countries. During the last decade, India achieved impressive growth averaging around 6.5 percent with significant reduction of poverty and mortality rates, and distinct improvement of the literacy rate. At the same time, India has made remarkable progress in information technology and witnessed a surge in the software subsector.

Time and again, the strength of India's macroeconomic fundamentals has been put to test, more recently by the hardening of international prices of crude oil. Despite such adversities, the performance of India's external sector continues to be robust with high export growth, significant improvement in external debt profile, sustainable current account deficit, and comfortable reserves of foreign exchange.

With the successful completion of the first phase of economic reforms, the country has embarked on second-generation reforms in various sectors with a strong focus on poverty reduction and creation of productive employment opportunities. In keeping with this spirit, the latest Union Budget has introduced restructuring in the labor market, the food economy, and the public sector. While fiscal discipline remains a core objective, high priority has been accorded to revitalization of the rural economy and improvement of the levels of human and social development. The substantial decline of the poverty ratio in the recent past is a testimony of India's success in carrying the fruits of reforms to the poor and the vulnerable sections of the society.

I would like to reiterate that in order to be effective partners for accelerating economic development in the developing countries, multilaterals will have to leverage their role as financial intermediaries for supporting the reform effort of the developing countries and should not depend on stand-alone policy advice. In order to be effective in the region, ADB has to make its resource allocation more focused and affordable to facilitate the process of economic transformation of the developing member countries.

In this regard, I trust that the lending instruments for poverty alleviation programs that were promised will be finalized soon and offer assistance on terms that are pragmatic, purposeful, and pro-poor. I am sure this has been kept in view while framing the long-term strategic framework (LTSF) of ADB, which is a key document mirroring the

mission and vision of ADB, its long-term goals, and fundamental operating principles for the next 15 years. I am confident that you would be able to carry with you the developed nations that have declared their commitment to international development goals of reducing the number of world's poor to half by 2015.

We would like to invite your particular attention to the ordinary capital resources (OCR) loan charge increase made effective from January 1, 2000. This was done to bolster ADB's net income position although we have been emphasizing all along that ADB's income indicators are already strong, and ADB has been generating significant surpluses every year after meeting its financial and administrative expenditure. The income of ADB increased by 39 percent in 2000. Even without the increase in the loan spread and introduction of front-end fee, the net income would have been \$579 million in 2000, i.e., higher by 29 percent, and the reserve to loan ratio (RLR) and interest coverage ratio (ICR) would have still been maintained at the mandated level. As a shareholder, we derive comfort that the financial ratios, namely ICR and RLR are at 1.4 and 27.3 percent, respectively, compared with the prescribed level of 1.31 and 25 percent. However, as the top borrower for 2000 and that too only from OCR, we feel concerned that the burden of sustaining ADB's safety margins is being borne by the developing member countries that are home to a substantial population of the region's poor, whom ADB is dedicated to serve and whose lot ADB is committed to ameliorate. It is paradoxical that poor borrowers pay for the comfort of the shareholders.

Let us remind ourselves that ADB is primarily a development financial institution. Its prosperity lies in the prosperity of its borrowers. Asking ADB to rationalize its lending rates cannot be termed as seeking "charity" as some might feel.

Mr. President, I congratulate you for successfully concluding the Seventh Asian Development Fund replenishment though we are disappointed that there has not been any increase in the overall level of assistance from the donors and that some countries are denied access to ADF despite their satisfying the objective eligibility criteria. We are also a little concerned about the importance of being attached to the rigid and formulabased allocation of ADF resources based on an unscientific concept of country performance. We feel that the basis is flawed on both conceptual and practical grounds. We have to ensure that these rigid formulae do not penalize the poor countries for their poverty.

ADB has been a much-valued partner in the development efforts of many countries and we look forward to this continued cooperation. Mr. President, you have our support at this crucial juncture when ADB is keen to unmistakably emerge as a broadbased development institution. We hope that in the years to come, ADB will be able to fulfill its resolve to break the poverty cycle in the region and pursue its road map in improving the quality of life of the millions of people in the region with all the resources at its command. Developing countries see a great hope of help from ADB. I am confident that we will not belie them.