



39TH ANNUAL MEETING

BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

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INDIA

P. Chidambaram, Governor

On behalf of the Government and the people of India, I extend a warm welcome to our newest members, Armenia and Brunei Darussalam.

We meet a year after Istanbul. We meet with the confidence that the year promises to be resilient for the world economy. Despite rising oil prices, multiple natural disasters and tight commodity markets, economic growth for the world in general, and Asia in particular, has been robust. A large part of the increased pace of growth has been contributed by "developing" Asia.

The downside risks are evident. They are higher energy prices and the possibility of sharp adjustments in exchange and interest rates induced by widening international payment imbalances. Nevertheless, I am optimistic for the outlook for growth in Asia and for a healthy demand for Asian output in the next few years.

India has achieved an average growth of nearly 8% in the last 3 years – a robust demonstration of its nascent strengths. I believe that our economic reforms over the past 15 years, the strong role played by the private sector, and rising domestic consumption have been the drivers of this growth.

We are aware of the challenges before us. We will continually work to address these challenges by deepening the reforms. Our aim is to put the country on a trend of 8% to 10% growth in order to eliminate poverty and achieve the Millennium Development Goals by 2015.

The investment rate in India is around 30% of GDP, and has been largely funded by domestic savings. As the country moves to a higher growth path, there is need to supplement domestic resources with foreign investments. International institutions like the Asian Development Bank can play a catalytic role through investments in public sector infrastructure and also through support for private sector activities in the developing member countries (DMCs).

Medium-Term Strategy

I commend ADB for its forward-looking medium term strategy to assist DMCs in their development endeavor. Emerging Asia faces the challenge of maintaining high and inclusive growth, leading to sustainable development. ADB's strategic priorities can help address this challenge if they are fine-tuned with DMCs' development priorities.



The resurgence of Asia has been largely due to economic reforms that have brought efficiency gains, critical public investments in infrastructure, and human development. Reforms have also enlarged the space for the private sector in economic growth. We believe that ADB needs to re-adjust its strategy from focusing largely on public sector lending to becoming a more fleet-footed financial intermediary and knowledge bank that helps DMCs attract more private sector investment. The multiplier effect of ADB's assistance through a public-private partnership model would be much higher than the current reliance on public infrastructure projects.

Regional Cooperation and Integration

We are all agreed that ADB has played a crucial role in the economic development of the Asia and Pacific region through regional cooperation. As ADB proceeds to finalize its strategy in the next few months, I hope it will also firm up the means for adequately funding the strategy and on more favorable terms. On the initiatives for monetary and financial cooperation and integration, I urge ADB to follow an approach of consensus and inclusion rather than being exclusionary in its approach.

Energy-Efficiency Initiative

Developing countries are at the stage where their overriding priority cannot be anything else but to accelerate the pace of development. Improving access to energy is critical to achieving the vision of an "Asia free from poverty". Concrete and innovative mechanisms need to be explored and developed countries can take the lead in the transfer of cleaner low-emission and cost-effective technologies to developing countries.

Financial Cost of Bank's lending

ADB's loan charges as compared to the cost of funds from other sources are critical for growth of its business. The financial parameters of ADB have been robust for four consecutive years now. Loan charges should be restored to the lower levels prevailing before the year 2000. The commitment fee should not be treated as a source of income and it should be possible either to eliminate or to substantially reduce the commitment fee through improvements in operations and internal efficiency of ADB.

I understand that ADB has undertaken a review of its safeguards policies. It should look to adopting country systems tailored to local conditions, especially in countries that have institutional mechanisms anchored in democratic processes that recognize and adopt the principles of good governance.

As the Annual Meeting draws to a close, I would like to place on record our appreciation of ADB for giving us the opportunity to host the 39th Annual Meeting of the Board of Governors. The Government of India and the Government of Andhra Pradesh have worked together and worked hard to make your stay comfortable. I hope that you have enjoyed the few days that you have spent here and that they will remain a cherished memory for many years.