



INDIA

YASHWANT SINHA, Governor

At the outset, let me thank the People and the Government of the People's Republic of China for their warm hospitality and excellent arrangements for this annual meeting of the Asian Development Bank (ADB). It is a pleasure as well as a privilege to be here.

I also join my distinguished colleagues in extending to you, Mr. Chairman, my delegation's warm felicitations on your election as chairman of this annual meeting. I am confident that under your able stewardship the deliberations here would contribute significantly to furthering mutual understanding and assist in fine-tuning ADB's strategies to promote rapid economic growth and combat poverty in the region.

The year that has gone by since the Honolulu annual meeting has seen some extraordinary events and developments at the global level. The traumatic events of 11 September in the United States were followed by a heinous attack on the Indian Parliament, the symbol of the largest democracy in the world that represents the voice of millions who cherish democratic values and traditions. However, it is a matter of some satisfaction that these cataclysmic events have united the world in its resolve to fight terrorism. This war against terrorism is not only to be waged in the theaters where crimes against humanity are committed but also in the rooms where hatred and human bombs are given finishing touches and where funds to support these evil activities are arranged. This war against terrorism has to be relentlessly waged and won so that this demon is exorcised in all its forms from everywhere and our pursuit of the Millennium Development Goals is not threatened.

The reconstruction of the shattered economy of Afghanistan is a major global challenge, which has elicited unstinted multilateral and bilateral support from the world community. India, which has had close and cordial relations with Afghanistan in the past, has extended assistance to the tune of \$100 million, apart from the emergency aid that had been rushed and the commitment of continuing cooperation in various fields, especially health, education, and infrastructure. In this regard we appreciate ADB's commitments of \$500 million over the next 2–3 years, and the role being played by it in rebuilding Afghanistan's economy.

The progress achieved by the Asian region over the past 3–4 decades is an inspiration for the rest of the world. This has been achieved through sound economic policies and the collective hard work of all the people in these countries. The financial crisis of 1997 did, however, provide an unexpected shock to the whole region. Whereas many of the aftereffects of that shock still persist in some of the countries, it is a matter of great pride that the region has broadly recovered from that crisis. Appropriate corrections in economic policies have been made, and the region is again set on a path of growth and development. We must collectively ensure that rapid growth is rekindled in Asia with the practice of sound economic policies. Among other changes, these will require the restoration of external capital flows to finance the needed investment in infrastructure and other sectors. The key task before the international community and multilateral institutions is to work on an international financial architecture that promotes international capital flows and less volatility than that experienced in the past. ADB would be an important player in promoting such conditions.

Under its long-term strategic framework, ADB has emphasized the overarching goal of poverty reduction. It has repositioned itself in the changing world with a clearly articulated vision that provides for necessary structural changes, and an effective strategic framework to realize its objectives. We commend President Chino and ADB for taking these steps. One of the key lessons learned from the development experience of our region is that rapid growth is essential for poverty removal. Interruption of such growth provides new challenges for combating poverty. What is needed in the less developed countries, and by some still recovering from that crisis, is rekindling of investment growth. ADB must perform a major function here of providing funds and catalyzing resources particularly for infrastructure investment in the region. I would like to emphasize that infrastructure development is a key necessity for ensuring economic growth that is pro-poor. The experience in our country suggests that an emphasis on rural connectivity is essential for poverty removal. Investment in areas such as rural telecommunications, rural electrification, rural roads, and railways would provide lasting benefits. In pursuing the pro-poor strategy outlined by President Chino, ADB could focus its operations especially on these areas for investment.

The reversal of capital flows that has taken place since the 1997 Asian crisis is a matter of common concern. As confidence is restored in our economies some of these reversals will get progressively muted. However, ADB needs to take proactive measures to promote such flows. Much more can be done to design instruments that channel development funds from multilateral institutions for socially productive investments by the private sector through credible intermediary institutions. Private funds would then also be forthcoming to add to these official flows.

I would also like to take this opportunity to caution against multiplicity of development objectives and the resultant dilution of development effectiveness. We must accept that all resources—temporal, financial, and human—are all finite and must be deployed optimally. When we consider how much we overload our delivery mechanisms with goal multiplicity, procedural rigidities, compliance obligations, and subject them to multidimensional and diffused accountability, it is not surprising that the time taken for project preparation, approval, and implementation is increasing and

transaction costs are rising. We cannot allow procedures to acquire greater sanctity than performance.

We find that even in successive years of high net income and very comfortable coverage ratios ADB is unable to reduce the burden of special charges and fees imposed upon developing member countries (DMCs). The quantum of assistance actually delivered to the DMCs, in absolute terms, is not showing any major increase. The real issues now facing ADB are of resources, competitiveness, and development effectiveness. We need to look beyond the current lending levels at which we are operating, and prepare for a quantum leap. Can we hope to make any real dent in poverty when the gross assistance is so small? ADB has to be capable of raising more resources, and has to help DMCs in equipping themselves to be able to absorb such assistance productively. It is this newfound capacity in DMCs and the expertise in many social and economic areas developed by them that ADB could avail itself of, through its well-established and objective procedures of competitive bidding.

India, with its rich and diverse human resources, it's widely acclaimed "intellectual capital," and highly skilled workforce is firmly on course in carrying forward the process of implementing enduring structural reforms. The latest Union Budget has proposed far-reaching reforms in agriculture. It has also removed all controls in the capital account for expatriate Indians and has terminated the administered price mechanism for petroleum products. The efficacy of the restructuring measures and the competence of the current macroeconomic management are evident from the strong fundamentals of the economy. The balance-of-payments situation is comfortable and inflation is at sustained low levels. Foreign exchange reserves have risen to more than \$54 billion. India has made exceptional progress in external debt management with the World Bank classifying the country as a less-indebted economy. But we have a long way to go both in development as well as reducing the burden of debt on our future generations.

The issue of financing for development is inextricably linked with the issue of indebtedness. Governments have resorted to huge borrowings to raise resources required for funding their development needs. Commensurate returns may not always be forthcoming to meet the expectations of their creditors or their own. Neither loans nor longings are adequately serviced, leaving countries with no choice but to increase their debt burden even if it collateralizes their future. I wonder if we are interested in pursuing a model that makes the lender and the borrower adversaries. It is here that those that are better placed to provide aid, facilitate trade, and have resources to invest have to make a choice. The choice may be of devising appropriate instruments of aid, or creating a favorable and fair climate for international trade and of availing of the opportunities of investing their capital in countries with better growth prospects. While it is satisfying that the Monterrey conference marked a forward movement in stepping up official development assistance, the need for a more equitable regime of world trade with lesser nontariff barriers, reduction in subsidies in agriculture and commodity markets in developed countries leading to greater market access to the developing countries cannot be overemphasized. Of course, this has to be matched by a greater resolve and effort on the part of developing countries to put in place a transparent and efficient system of

governance and predictable public policies, something that India has amply demonstrated.

Before I conclude, let me reemphasize what I had said in Chiang Mai about the format of the annual meeting. The deliberations during the meeting could be richer if instead of all of us reading out our speeches, we could have 2–3 selected theme presentations, followed by group discussions, and a plenary where we, as Governors, get the opportunity to discuss major issues and options thrown up by the groups. We can place our more detailed statements on record, and would still have time and opportunity for personal interventions and exchange of ideas and sharing of experiences. Perhaps ADB could set up a small group of executive directors and its own senior staff to go into this for the next annual meeting.

Let me close by reiterating our full commitment to ADB's development activities and a keen desire to be an active partner in this process. We look forward to a future full of hope and achievement of meeting the central challenge of attaining self-reliance through interdependence. The global development edifice that we want to construct must recognize each component as essential to the whole with no single keystone. Every nation is an architect of this global design and must be acknowledged as such. The objective of global cooperation has to be "development with dignity" where resources are made available and opportunities not denied, where development assistance enables nations to catch up and not forever seek. Now that there is a consensus on the goals we must move towards them—the meek and the mighty, hand in hand, with the resolve to strive, to seek, to find, and not to yield, till the goal is reached.