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GOVERNMENT OF INDIA

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STATEMENT BY THE FINANCE MINISTER OF INDIA SHRI P. CHIDAMABARAM AT THE DEVELOPMENT COMMITTEE MEETING OF THE WORLD BANK IN TOKYO

New Delhi: Asvina 21,1934

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Please find below the **text of the Statement made by the Union Finance Minister and Leader of the Indian Delegation Shri P. Chidamabaram at the Development Committee Meeting of the World Bank in Tokyo :**
(Representing the Constituency consisting of Bangladesh, Bhutan, India and Sri Lanka)

"We meet at a time of continuing crisis. Recent developments have brought some cheer to the market, but it seems the volatility in the global economy is there to stay for some time. Uncertainty in many countries, a sluggish recovery in others, and slower growth in major emerging economies have dimmed the prospects of a quick turn-around. Exports have been impacted adversely and many currencies have depreciated. Serious risks and uncertainties remain both for the developed and the developing economies.

The availability of resources for development and the flow of private capital have contracted .The poorest countries are the most vulnerable. At this juncture, we need a well co-ordinated, collaborative and bold global effort to address these challenges. In 2008-09, the World Bank Group had responded to the financial crisis in an exemplary manner. It is a matter of concern that, today, the WBG is constrained in responding in a similar manner.

Rising food and commodity prices continue to be a cause of serious concern to us. In the poorest countries, these have adversely affected growth and social stability, as well as health, nutrition, and education.

Robust agricultural growth remains fundamental to the creation of jobs and poverty reduction. However, agricultural growth faces hurdles that can be removed only with investments, more innovation, better technological inputs and improved extension services. The World Bank Group has an important role in leading this initiative.

Three more actions are also important: First, constraints on “farm to market” need to be addressed quickly. Secondly, diversion of food grains for alternative uses needs to be curtailed. And, thirdly, concerted action needs to be taken against excessive “financialisation of commodity prices”.

Investment in infrastructure in developing economies is critical for creating growth and jobs, and for rebalancing global demand. Flow of long term finances is extremely important for this. Even in normal times, there is a large role for the Multilateral Development Banks (MDBs) in making long term development finance available to emerging and other developing economies. During the present crisis, when capital flows have got disrupted and the risk appetite for long term financing is low, the role of MDBs in infrastructure financing has become extremely crucial.

The changing “geography of poverty” today makes middle-income countries (MICs) home to nearly three quarters of the global poor. Infrastructure deficit in MICs is also quite large. The Development Committee’s call, in the Spring Meetings of 2012, for the WBG to develop more innovative and stronger partnerships with middle-income countries would require a decisive shift in the way the Bank would engage with the MICs to effectively address challenges of rapid urbanization, infrastructure development and poverty reduction.

While appreciating that subscription, as approved in the 2010 capital package, is due to be completed only by 2015, we are still concerned about the declining capacity of the Bank to respond adequately to the crisis. The noticeable deterioration in the capital adequacy of the Bank is indicative of the vulnerability of the Bank. Considering the pre-eminent position of the World Bank in the arena of development finance, it would be a tragedy if the Bank is handicapped in meeting the requirements of the member countries when they need it the most.

We do not doubt that the Bank must have taken stock of the situation and decided on an appropriate course of action. We would appreciate if that is shared with us. All options must be considered. We must eschew the temptation to succumb to pre-determined positions.

We are equally concerned about the capital situation of the International Finance Corporation. International Finance Corporation has done signal work in the developing countries in offering products and services that are innovative and useful and it has played a significant counter-cyclical role in very difficult circumstances. However, it seems constrained in the coming years. It is incumbent upon us to think of ways to augment the financial capacity of the International Finance Corporation.

We welcome the **World Development Report 2013 on Jobs**. It is well-researched and analytical. It is a comprehensive report on an important issue that is at the heart of policy discourse in many countries today. The companion document on **"Creating Jobs Good for Development: Policy Directions from the 2013 World Development Report on Jobs"** has powerful insights for public policy.

It is good that the WDR is not prescriptive and it provides space for governments to chart their own course, according to their best judgment and in the context of their own development framework. We feel that the Bank can be very helpful in providing data and diagnostics.

We would like to underscore the following:

- Diversification of agriculture, raising agricultural productivity, infrastructure development, urbanization, quality education and skills formation, a more conducive environment for micro and small enterprises, and gender equity are all very important to the creation of productive jobs. Enhancing resources of the Bank for investment in these areas should further the jobs agenda.
- While private sector is important for job creation, this cannot be to the exclusion of the public sector and the critical functions it performs in the field of infrastructure development, provision of social protection and creation of right policies that foster creation of jobs by the private sector.
- The needs of comparative advantage and cost efficiency, specialization and economic necessity should guide the discourse and policies on migration of jobs and people.

We welcome the update on the **Implementation of the Gender Equality Agenda**. We are happy to note the seriousness with which the World Bank Group has embraced the operationalization of the World Development Report 2012 and mainstreamed the gender agenda in its operations. We particularly appreciate the country level diagnostics, the fact that all the Country Assistance Strategies prepared last year were gender informed, and that gender-informed lending has risen significantly. We welcome the importance given to investing in gender-relevant data and welcome the launch of the gender portal of the Bank. We recognize that the Bank can play a catalytic role in bringing synergy between institutions for better outcomes.

We are of the view that an outcome may be assessed as ‘gender informed’ only if it meets a certain minimum norm. Token references to gender or nominal achievements should not result in an operation being treated as ‘gender informed’. We recognize that gender mainstreaming will be a long drawn out process, and that a suitable mechanism needs to be put in place for close monitoring and periodic reviews and for regularly updating the Governors about the Bank's efforts in this regard.

We are encouraged to see the progress made in the last one year in making the **Corporate Score Card** (CSC) an important instrument of accountability of the institution to its shareholders and a tool for facilitating strategic dialogue between the Board and Management. We feel that: (a) the focus of the CSC should be much more on areas directly under the Bank's influence where results could be attributed more clearly to the operations of the Bank; (b) CSC should be as concise as possible; and (c) stability and continuity of indicators are important for purposes of consistency, though we recognize some variation over time is inevitable.

We see the document on "**Managing Disaster Risks for a Resilient Future: The Sendai Report**" as a good beginning for knowledge sharing and preparing for further action. At the same time, we would like to caution that there is need for care when we focus on templates for action. The variation between country-specific needs and templates has both cost and efficiency implications. It is, therefore, essential to learn from the experience of different countries rather than to look for very specific approaches. As in the rest of the World Bank Group operations, we would favour a client-driven approach in Disaster Risk Management.

The recent earthquake and tsunami disaster in Japan saddened us all. But, I believe, Japan has shown the way, both in disaster prevention, and in disaster response and recovery. The Sendai Report identifies disaster risk management as a defining characteristic of resilient societies, and advocates its mainstreaming into all aspects of development. We expect the Bank will advance the process of integrating disaster risk management in development plans so that countries prone to such risks are better prepared and equipped to tackle them.

Before I conclude, let me emphasize that the Bank has been a very valuable partner for us. On all the three issues of jobs, gender, and disaster risk reduction and response the Bank has provided useful assistance. I am happy that some of our joint efforts have been recognized and have found appropriate references in the WDRs. We are confident of continuing the good work at much higher levels of engagement.

We are confident that the Bank, under the leadership of the new President, Dr Jim Yong Kim, will aspire to reach new heights of excellence in the days to come. We look forward to working in close partnership with him for moving rapidly towards a poverty free, equitable and prosperous world.

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