

Statement by Hon'ble Minister for Finance and Governor for India in ADB
In
The First Business Session

Mr. Chairman, Governors of ADB, Mr. President and colleagues.

1. The world economy is a little better placed now than a year ago. Global recovery appears to have strengthened in the recent months. However, we are yet to reach a stage where we can make a medium term forecast of a moderate growth.
2. In the EMEs that have large net exports, slowing of growth is due to weakness in advanced economies and the need in these EMEs to rebalance to domestic sources of growth. In economies not so dependent on exports, there are various other factors, some local, other global, which require more deft handling and international cooperation.
3. Policies to revive growth in most EMEs, including in India, will have to be rooted in increasing investments, particularly in infrastructure. As most EMEs are resource constrained, it would be necessary to have recourse to foreign savings for investment. There is, however, a need to ensure that the flows to EMEs are broadly stable. The best option would be investment flows with a preference for FDI, followed by a hierarchy of other sources weighed against the costs of such dependence.
4. Asian Development Bank (ADB) being the Bank of the region must respond to these growing expectations. It is only natural that we feel closest to ADB and are most comfortable partnering with them. Our vision and aims converge. A healthy and growing ADB is in the best interest of the region and its people.
5. I have already, in my earlier intervention, stressed upon increasing

resources of the ADB for lending. We firmly believe that the fundamental solution for enhancing sustainable level of lending (SLL) to a more meaningful level lies in increasing the capital stock of the Bank. We appreciate that in a multilateral institution consensus building for major initiatives is necessary. I urge the Management to make serious and sincere efforts to augment capital of the bank.

6. Of late, ADB is confronting challenges of portfolio performance and declining disbursements. 2013 witnessed decline in disbursements under OCR, particularly under sovereign operations. Net resource transfer, which is our net financial support to the members declined to its lowest level in at least last five years to just over US\$100 million.
7. I note that the midterm review of Strategy 2020 is trying to rightly shift the focus on implementation and disbursements. Average delay in completion of successful projects is 2.3 years with 1/6th of projects getting delayed by over 4 years. This underscores the need for internal reforms, re-engineering of business processes and delegation and decentralization.
8. We deal with a wide cross section of countries with differing processes. It is necessary to adopt a differentiated approach to suit the requirements of different countries and adopt country systems to the extent possible. Procurement reforms are, perhaps, the most needed. These must focus on deploying staff resources with authority to regional departments and Resident Missions, increased delegation of authority to country offices, progressively higher use of e-procurement, post review of small contracts, robust oversight and well defined timelines for end to end process and not just time taken at each level. We must move away from an approval centric culture to a regime that incentivizes implementation performance. We welcome the 10-point action plan for procurement reforms, which I am told, is set to be put in operation this month.

Indian Portfolio:

9. While contribution of ADB to India remains small, it nevertheless is quite important.
10. At the Annual Conference in Delhi last year, I prioritized three areas of partnership with ADB, namely: economic corridors, infrastructural facilities and more vibrant regional cooperation supported by additionally dedicated resources. I am happy to note that as agreed in the South Asia Sub-regional Economic Cooperation(SASEC) platform we negotiated \$ 500 million assistance from ADB for building roads in NE states for regional connectivity. ADB is also assisting us in developing the East Coast Corridor from Chennai to Kolkata. I am glad there have been positive movements in these areas but I must admit we need to work faster to achieve our goals within a reasonable time.
11. Before I close, Mr. Chairman, let me take this opportunity to emphasise that we are deeply conscious of our role in international community for upliftment of the absolute poor in other countries too. In this context, I am pleased to inform that India has decided to become a contributor to the Asian Development Fund and will contribute US\$30 million towards ADF-11 in agreed installments beginning October 2014.

Thank you.