

ADB's Forty-Seventh Annual Meeting - Astana 2-5 May 2014

Statement by Hon'ble Minister of Finance and Governor for India in ADB

on

**Resources of Asian Development Bank**

Thank You Mr. Chairman.

Asian Development Bank, as the regional Bank to support development in Asia and The Pacific must reflect the hopes and expectations of the region.

Over the last 5 years, since the last General Capital Increase, annual lending capacity of ADB under Ordinary Capital Resources has been US\$10 to 11 billion. The developmental needs of our members are quite large and are growing. As the main developmental Bank of the region, we need to have a sufficiently resourced ADB to support the growing needs of the members, lest ADB's capacity to assist its members to address serious challenges such as fighting poverty or developing much needed infrastructure is greatly diminished.

In this context, we should aim to have ADB double its lending capacity over the next 10 years.

Sustainable level of lending (SLL) can and should be increased by adopting a comprehensive strategy of augmenting income and reducing expenses. Besides falling interest rates, rapidly rising administrative expenses and stagnant or declining disbursements are the main reasons behind sharp decline of SLL from US\$11 billion projected at the time of GCI V.

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Actual administrative expenses have been growing at over 10% per annum while disbursements have averaged only around US\$6.5 billion. Every penny saved through economy in expenditure or earned through interest income will add to our financial position and help us lend more. Instead of looking at these measures, the Bank recently chose to increase loan charges despite stiff opposition of almost the entire clientele. As a regional Bank, ADB in its functioning must reflect the aspirations of its regional members.

We believe that the fundamental solution for enhancing the sustainable level of lending to a more meaningful level lies in increasing the capital stock of the Bank. Like any other financial institution, shareholders need to periodically contribute to the capital, to help the Bank discharge its responsibilities. Agenda circulated by the Management has outlined capital limitation as the main reason behind the declining SLL. In view of the Charter requirement, without adequate capital, we will also not be able to meet the target of 25% share of private sector operations in OCR approvals by 2020.

I would respectfully urge the members to give this issue a serious consideration and quickly come to an agreement on capital increase with a view to doubling the annual lending capacity of ADB to US\$20 billion in the next 10 years. I will also request the members to reconsider the increase in loan charges that was opposed by most of the members

Thank You.