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ADDRESS BY THE UNION FINANCE MINISTER SHRI P.CHIDAMBARAM DURING FIRST BUSINESS SESSION OF THE ADB ANNUAL MEETING OF BOARD OF GOVERNORS TODAY

New Delhi, May 4, 2013

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Following is the text of the address made by the Union Finance Minister Shri P. Chidambaram during the First Business Session of ADB Annual Meeting of the Board of Governors at IEML, Greater Noida today:

Mr. President, Honourable Governors and friends,

It has been a year when we last met at Manila. It is time to look what has been done and what more is required to be done to continue with the growth and development of our region.

India took robust stimulus measures to counter the slowdown induced by the global financial crisis in 2008-09. As a result, the country achieved a growth rate of 8.6 per cent and 9.3 per cent in 2009-10 and 2010-11, respectively. However, particularly with demand-supply imbalances in the food sector, the economy started to show inflationary tendencies. Growth with macroeconomic stability is the abiding goal of the government, and appropriate policy measures were initiated to restore price stability. As a result of such action, annual headline inflation as measured by the wholesale price index, which had reached an alarming 10 per cent rate in September 2011, came down to 5.96 per cent in March 2013. However, there was a growth slowdown as well, and the economy grew by only 6.2 per cent and 5.0 per cent in 2011-12 and 2012-13, respectively.

Government is determined to accelerate the pace of inclusive growth, while maintaining macroeconomic stability, to achieve its overriding goal of empowering the people and eradicating poverty. We are committed to fiscal consolidation. It will reverse the slippages that took place as a result of the stimulus packages. In 2012-13, the fiscal deficit as a proportion of GDP is likely to have been about 5.2 and we aim to bring it down to 3 per cent in 2016-17. This we will achieve by a prudent combination of revenue enhancement as well as expenditure rationalization.

We are determined to boost investment – both domestic as well as foreign. The gross fixed investment rate has declined from 32.9 per cent in 2007-08 to 30.6 per cent in 2011-12. Many projects are plagued by "last mile" bottlenecks in fuel supply, environment clearance, forest clearance, and land acquisition. We have set up a Cabinet Committee on Investment under the chairmanship of the Prime Minister to fast-track projects, particularly in key sectors such as coal, power, steel and roads. We have permitted FDI in areas such as multi-brand retail, power exchanges and aviation . As I am fond of saying, India's story on investment is just starting out.

ADB and India

India, as a founder member, is proud of its record of association with ADB. We have a deep appreciation of ADB as our partner in development. ADB in India is today engaged in the development of transport & energy sectors, urban infrastructure, public resource management, integrated water resource management, khadi reform, and agribusiness infrastructure. It is active in promoting innovations in infrastructure finance and building frameworks for public private partnerships. It has expanded its engagement in low income states and is making meaningful interventions in capacity building. I am pleased to note that ADB is now embarking on supporting initiatives in skills development. To take our engagement with ADB further, let me offer you three broad ideas.

1. Special role for ADB in helping with the development of economic corridors

Government of India has been emphasizing the development of economic corridors, including industrial corridors and freight corridors, as a means of integrating and connecting centers of production and demand, and creating income opportunities all along their paths. A coordinated approach to economic corridors transforms not only cities and towns, but also the rural hinterland.

The Delhi-Mumbai Industrial Corridor (DMIC) is India's most ambitious infrastructure program. In addition to the DMIC, other important economic corridors being developed are Chennai-Bengaluru and Mumbai-Bengaluru corridors.

Developing economic corridors that connect lagging states to economically dynamic states holds considerable potential for achieving high and inclusive growth. We invite ADB to carry out an in-depth exploration of how it could employ its expertise in energy, logistics, urban, and skills development around a few such economic corridors.

In order to realize their full potential, these economic corridors should also be part of broader regional economic corridors and regional integration efforts. ADB can not only partner in these efforts but also actively pursue the potential of a corridor linking India, Bangladesh, Myanmar, ASEAN and People’s Republic of China.

2. Role for ADB in developing special financing vehicles to support infrastructure and utilities projects

Our estimates show that over the 12th Plan period spanning fiscal years 2012-2017, India will need around $1 trillion of investment in infrastructure, of which around 48% will have to come from the private sector. A fundamental challenge in infrastructure development lies in funding the needed investments.

We would like to see ADB support the development of innovative special financing vehicles to support the expansion of infrastructure finance. In doing so, ADB must build upon its recently approved innovative project - supporting credit enhancement of infrastructure project bonds so as to enable infrastructure developers to tap the vast resources available with insurance firms and pension funds. More specifically, ADB could explore credit enhancements for road funds and municipal bond issuances in order to expand the finance available for transportation and urban infrastructure, respectively.

3. A push on RCI—with a special role for ADB via SASEC

India is committed to the goal of regional integration and recognizes how least integrated South Asia is in terms of this metric. Given the focus of Strategy 2020 on regional cooperation, and ADB's expertise in infrastructure as well as regional cooperation, we welcome ADB's intensive engagement in promotion of regional cooperation by bringing together participating countries under South Asia Subregional Economic Cooperation (SASEC) to design initiatives in three priority areas: (i) Transport; (ii) Trade Facilitation; and (iii) Energy. However, to give a push to its regional cooperation initiatives, ADB should ensure that the funds for the regional projects are given to the participating countries as an additionality, over and above the country support programme.

With ADB actively reengaging with Myanmar, the scope for reaping enormous gains by linking South Asia to South East Asia stare at our face and ADB should mobilize itself fully for realizing the gains.

Let me conclude by expressing my confidence that the Asia and Pacific region can meet the challenges ahead and continue to grow toward greater prosperity and opportunity. I would like to place on record our appreciation of ADB for giving us the opportunity to host 46th Annual General meeting. I hope you are enjoying your stay here and take back some cherished memories.

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