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Statement by the Hon. **ARVIND MAYARAM**,  
Alternate Governor of the Bank for **INDIA**



**Statement by the Hon. ARVIND MAYARAM,**  
Alternate Governor of the Bank for India  
on Behalf of the Honorable Finance Minister of India Mr. Arun Jaitley,  
Governor for Fund and Bank at the Joint Annual Discussion

**Mr. Chairman**

1. Global economy seems to be picking up, yet remains fragile and on uneven recovery path. Since we last met, outlook for global growth has been revised downwards reflecting weaker growth in the US in the first quarter of the year and a less optimistic outlook for several EMEs. Looking forward, the strongest growth rebound is expected in the United States. The euro area has emerged out of recession though recovery remains weak. Economic activity in India has bottomed out and is beginning to look up. However, many other emerging market economies have experienced weaker growth. Investment activity in most of the EMEs remains weak. The potential growth in both advanced and emerging market economies has declined significantly. The challenge for policymakers in both advanced and emerging market economies is to put the current global recovery on a sustainable path and to raise the long-term global growth potential.
2. The recovery of the US economy has underpinning of pursuing unconventional monetary policies, which include expansion of central bank's balance sheet and large injection of liquidity. This has led to under-pricing of risks in financial markets. The leverage by the corporate sector across board asset classes and across countries has witnessed an increase. Such risks, if not addressed, could derail the fragile recovery.
3. Uncertainty continues about the exit from unconventional monetary policies by central banks in advanced economies. The recent experience suggests that emerging market economies could become vulnerable when the exit takes place. It is, therefore, necessary that the process of exit from the unconventional policies is predictable and well communicated. There is also need to ensure that the spillover effects are taken into account while exiting from such unconventional monetary policies. Enhanced monetary policy cooperation would help in this process.
4. Emerging market economies also need to take measures to use the available macroeconomic policy space to revive investment activity, particularly in infrastructure. The focus, however, should be on structural reforms to raise the long-term growth potential. Emerging market economies also need to take measures to guard against financial stability risks and prepare contingency plans to deal with the impact of exit from unconventional monetary policy as and when it takes place.
5. The 2010 Quota and Governance Reforms have not become effective in spite of the strong support of the global community for the reforms. The 2010 reforms are required to ensure the Fund's credibility, legitimacy and effectiveness. They are also imperative to

maintain its relevance. The overall delays in the governance reforms are also at a cost to the legitimate voice of the EMDCs and LICs. We urge all members that have not ratified the 2010 reforms to do so immediately to ensure that the reforms are completed by the year-end. Should this not materialize, the Fund must explore every available option for completing the current round of the quota reform process.

## **6. I now turn to the developments relating to the World Bank Group**

7. The World Bank, which set for itself ambitious goals of reducing extreme poverty by 2030 and promoting shared prosperity, has defined and achieved a few key milestones: a strategy for achieving the twin goals has been prepared; an important phase of an organizational restructuring has been commenced upon; it has a new country engagement model; and it has taken the first steps towards increasing its lending capacity. Still, there is a long way to go. The two goals of the World Bank Group require policies that boost economic growth and promote more equitable sharing of the gains of growth. Faster growth and inclusion are interdependent and mutually reinforcing. The discussion on shared prosperity is, therefore, very meaningful and has implications for development policy and practice, not only in developing countries, but also in high income countries.
8. The policy options and instruments, proposed for Development Committee discussions are wide-ranging. We believe that the most sustainable way of building shared prosperity is by investment in inclusive growth and creation of productive and durable jobs together with investment in human capital and skills. The emphasis placed in the Development Committee paper on policies and instruments that support the development of human capacity and asset building is welcome. While the themes of human capacities and asset building. Besides these, here is a need for the World Bank Group to evolve more focused strategies towards shared prosperity. Such an approach must recognize the centrality of rapid economic growth for the achievement of the twin goals and focus on diversified sources of economic growth.
9. Investment in agriculture to raise productivity, in urbanization to support sustainable cities, and in financial inclusion to promote ownership of assets by the poor are as important for boosting shared prosperity as investment in education, health and safety nets.
10. Investment in infrastructure is a crucial catalyst, for boosting sustainable growth and achieving the twin goals in an accelerated manner. It supports and augments better living conditions and provides access to roads, electricity, drinking water and sanitation, health and education, opportunity and skills. The need for investment in infrastructure is humongous and national efforts in this sphere need to be robustly supported through flow of long term financing from MBDs.
11. The World Bank Group needs to work with client countries to facilitate the flow of investment, into the infrastructure sector. Shared prosperity concerns should determine

infrastructure investment. The WBG is finally moving forward with the setting up of the Global Infrastructure Facility. As of now, GIF lacks ambition and reach; I hope it will acquire both rapidly. We would like borrowing countries to have a strong and effective voice in the management of GIF. We would also like GIF to present us with a credible plan regarding the contributions it can make to bridge the trillion dollar infrastructure financing gap.

12. I compliment the World Bank Group for its role in bringing shared prosperity at the forefront of the global development agenda. Now, it must work with clients, through the country engagement model, to delineate the poverty and shared prosperity challenges and to craft country specific solutions. I also acknowledge the very useful analytical work on monitoring of the shared prosperity goal that the GMR presents. There are, indeed, great data challenges and I urge the World Bank Group to continue to support clients in developing databases for improving the measurement and monitoring of shared prosperity.
13. The World Bank Group has achieved some increase in its lending capacity. However, the measures for improving the financial muscle of the World Bank, which are currently under implementation, can take the Bank only thus far and no further. The challenges of ending extreme poverty and promoting shared prosperity demand a much more robust effort on the part of shareholders to augment capacity. A review of the authorized capital stock of the Bank and the voice and participation of the Developing Countries is due in 2015. I urge the Board to take up the review and complete it speedily. An increase in capital and a more equitable representation in governance will only strengthen the WBG and equip it to meet its goals.
14. I welcome the update on implementation of the Gender Equality Agenda at the World Bank Group and compliment the Bank for the progress made in incorporating gender concerns in Bank operations. I would urge the WBG to deepen the gender integration in lending operations by supporting higher standards for deliverables. The WBG, through its operations and knowledge activities, must address structural factors that constrain the realization of more equitable gender outcomes, not only in the social sectors but also in infrastructure and production sectors.
15. I recognize that shared prosperity is difficult to define and even more difficult to monitor. We need much greater conceptual and definitional clarity regarding the goal and the indicators. The World Bank Group has made a good beginning with the Global Monitoring Report of 2014 and the discussion on shared prosperity in the Development Committee. While many important policy recommendations have emerged in the DC paper, as well as in the GMR 2014, the centrality of strong and inclusive economic growth for both the goals of elimination of extreme poverty and shared prosperity must be recognized much more explicitly.
16. I look forward to successful implementation of the WBG strategy, with a clear focus on the twin goals and careful nurturing of the re-organized systems within the one World

Bank Group. In doing so, the WBG must keep the client centre stage and address their problems and challenges in a spirit of partnership.

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