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Statement by the Hon. **P. CHIDAMBARAM**,
Governor of the Bank and the Fund for **INDIA**

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Governor of the Bank and the Fund for India**

Mr. Chairman,

1. The global economy continues to face several challenges. Since we last met, growth forecasts for 2013 and 2014 for both the US and the Euro area have now been revised downwards. Furthermore, the growth prospects in many emerging market economies, which have been the main drivers of global growth, have been impacted by the recent financial market developments triggered by the likely exit from the unconventional monetary policies (UMP) in advanced economies. Thus, a major challenge for the global economy is to ensure an orderly exit from UMP by major advanced economies, and to provide further policy support for promoting growth in the US and the Euro area.
2. As there are no precedents to guide expectations relating to unfolding of developments from unwinding of UMP, the role of communication policy is critical. There is a need to better communicate the parameters that will guide the exit from the unconventional monetary policies. Central banks in advanced economies need to take into account the spillover effects on the global economy of their potential exit from these policies. EMEs also need to strengthen their domestic fundamentals, strengthen the reserves and implement structural reform in growth critical areas. They also need to be ready with contingency plans, including unconventional policy responses, to preserve growth and financial stability in their jurisdictions.
3. It is a matter of concern that the crisis in the Euro area lingers. A major challenge before the Euro area is to reinvigorate growth. Given the complex nature of the problem, the authorities need to move on several fronts at the same time. The critical areas that need to be addressed are the financial market fragmentation, incomplete architecture of the monetary union by setting up a banking union, and adverse bank-sovereign feedback.
4. The recent financial market developments have underlined the need for multilateral policy dialogue and cooperation for which the Fund can play a crucial role. In view of significant uncertainty surrounding the likely impact from the exit of unconventional monetary policies, the Fund needs to assess the implications of evolving macroeconomic developments and closely study how the exit will unfold, what impact it will have on advanced and emerging market economies and how they should deal with the evolving situation. This

is important since unwinding from the UMP can be expected to take place over the next few years.

5. The deadline for the 2010 Quota and Governance Reform of the Fund has not been met and there is still no clarity, even after the passage of a year, about when this will be finally done. We have not succeeded yet in ratifying the 14th Quota Review despite the initial universal commitment to do so. Governance reforms are imperative to ensure the Fund's credibility, legitimacy and effectiveness. We must immediately conclude the 2010 IMF Quota and Governance Reform, as well as complete the 15th General Review of Quotas and arrive at a new quota formula, by the due date of January 2014.

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

7. In April last, we had endorsed the twin goals of ending extreme poverty by 2030 and promoting shared prosperity. We are happy to have an opportunity now to deliberate on the WBG Strategy. We appreciate the effort made in formulating the Strategy after extended and meaningful consultation with different stakeholders. We welcome the approach and endorse the broad elements of the strategy. We support the alignment of all WBG activities with the twin goals. We encourage the World Bank Group to focus on its comparative advantage in deciding on partnerships and choosing transformational interventions. We believe that the needs of clients, their priorities and their ownership must remain the central concern of the WBG.
8. We support the new approach to the development of Country Partnerships Framework (CPF) based on Systematic Country Diagnostics (SCD). This will contribute to informed engagement and better, targeted interventions. However, the quality of the CPF will depend on the availability of quality data, the statistical capacity of client countries and their level of engagement in the process. It will, therefore, be important that the WBG focuses on capacity building, wherever needed, and training and motivating its own personnel.
9. We are happy to note that the WBG is reviewing its financial architecture and strategy to make it more robust and sustainable. We note the need for significant scaling up of financial resources for implementation of the proposed strategy. All measures to augment capacity need to be discussed so that they are commensurate with the needs of the borrowing members. Successful implementation of the World Bank Group Strategy hinges on robust financial capacity, strategy driven allocation of resources, sound implementation policies, and close monitoring and supervision. We look forward to further details regarding these aspects in the Spring meetings in 2014.

10. Infrastructure and jobs are central to the development agenda. These are essential for inclusive growth and shared prosperity. The estimate of global demand for investment in infrastructure is around US\$1 trillion per year. India alone requires nearly US\$1 trillion in the next five years. Effective and coordinated action is required for channelizing global savings into investment in infrastructure. Multilateral development banks, have a key role in finding innovative ways of funding investment in infrastructure. We welcome the initiative of the World Bank Group for setting up a “Global Infrastructure Facility”, a special window designed to channelize both public and private capital. We hope that this dedicated facility will come up soon and relax some of the financing constraints for infrastructure development.
11. We are pleased to note the progress made in the implementation of the gender equality agenda at the World Bank Group. We recognize that much remains to be done. We fully support a determined approach to furthering this agenda.
12. India is committed to inclusive growth and sustainable development and recognizes that many challenges remain. The World Bank Group has been instrumental in partnering in many transformative projects in India in the past and we look forward to strengthening this relationship for achieving our goals of ending poverty and creating an equitable society.
13. As we tackle the challenges emerging from a changing global landscape, we have to continue to focus on the architecture of the World Bank Group and the IMF. Reform of these institutions, in keeping with the times, is long overdue. Only a reformed World Bank and International Monetary Fund will reflect correctly the expectations and aspirations of the world as it is today.
