

STATEMENT BY MR. SHAKTIKANTA DAS
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Mr. Chairman,
Secretary General of AfDB,
Excellencies

Introductory Remarks

At the outset, let me place on record, our deep sense of gratitude for the warm hospitality and arrangements made by the Government of Senegal and the African Development Bank Group for creating a perfect ambience for holding this important event.

The Government and people of India convey their warm greetings to the people of Senegal. The Finance Minister of India could not come to Senegal today as India is conducting a General Election to its Parliament now and has desired me to convey his best wishes for the successful conclusion of the annual meeting.

India's Engagement with Africa

Before coming to India's response on 'Africa and Financial Crisis: An Action Plan', let me brief you on current status of India's engagement with Africa.

The India Africa friendship is based on strong historical roots. Echoing the same sentiments, at the India Africa Business Partnership summit held at New Delhi in January 2009, Indian External Affairs Minister and Finance Minister said that, **(quote)** *"India's ties with Africa are historic. Trade across the Indian Ocean has linked us for hundreds of years. We were fellow victims of colonialism in the 19th and 20th century. We inspired each other in the resolve to resist and defeat the forces of imperialism. Our shared kinship rejoiced every time a blow was struck by the Afro-Asian liberations movement. We have seen and shared a difficult past. It is only natural if we now choose to consolidate national gains and work together towards a prosperous future"* (unquote).

India has been making a determined effort to sustained economic growth to reduce poverty and improve the quality of life of our people. At the same time, we have always believed in sharing our experience and knowledge in the true spirit of South-South cooperation.

India-Africa Framework for Cooperation spelt out the agreed areas of cooperation. These included human resources and institutional capacity building, education, science and technology, agricultural productivity and food security, industrial growth, including small and medium enterprises and minerals, development of the health sector, development of infrastructure, ICT and the establishment of judicial system with police and defense establishment under civilian control.

India has extended Duty Free Tariff Preferential Scheme for the 50 least developed countries, 34 of whom are in Africa. This will cover 94% of India's total tariff lines and, more importantly provide preferential market access on tariff lines for 92.5% of the global exports of all LDCs.

India has been providing quality education and training to African students and Civil Servants. Long-term scholarships for undergraduates, postgraduates and higher courses will be doubled and the number of slots under the Indian Technical and Economic Cooperation Programme (ITEC) will be increased from 1100 to 1600 every year. We have also offered to share with our African friends our experience in using remote-sensing and satellite-imagery for weather-forecasting, natural resources management, land use and land-cover mapping and a variety of other applications.

Government of India has set up IT Training Centres of Excellence in Ghana and Senegal. Benin and Central African Republic have been offered the same facility. Computer literacy is being extended through kiosks developed by Hole-in-the-Wall Education Limited in Zambia, Swaziland and Namibia. More of such projects are being considered for the Central African Republic and Uganda.

On 26 February 2009, our Finance Minister (who is also Minister for External Affairs) had inaugurated the first phase of the Pan-African e-network covering 11 countries, viz., Benin, Burkina Faso, Gabon, Gambia, Ghana, Ethiopia, Mauritius, Nigeria, Rwanda, Senegal and Seychelles. The tele-education and tele-medicine segments of this project link leading universities and hospitals of Africa with their counterparts in India. The Pan-African e-network demonstrates India's Commitment to share our progress in the knowledge-sector and help bridge the digital divide in Africa. Thirty-three countries have already joined the network. The second and third phases of the network will be commissioned in the next four months.

Trade between India and Africa has increased from US\$3 billion in 2000-2001 US\$36 billion in 2007-2008. Efforts are on to further diversify trade relations.

Responses to Financial Crisis

This meeting is being organized at a very crucial juncture. Effects of International Financial Crisis are gradually unfolding and it is increasingly becoming evident that the dimension of the crisis is enormous and its tremors cut across the countries in the World, irrespective of whether or not the epicentre of the crisis lies somewhere else.

Current financial crisis has brought to the fore, several issues to be addressed immediately by the international community jointly; such as urgent need to enhance the liquidity in international money and credit markets to regain investors' confidence, step-up cross border capital flows to support investment and growth, particularly in emerging economies and more importantly upgrading international financial architecture as well as

improving the regulatory and supervisory framework. The remedial measures should balance the need for tightening financial ‘regulation and supervision’ for staying ahead of innovation in financial markets and ensure that such stringent regulation does not stifle innovation.

While countries world over are coming out with stimulus packages as a counter cyclical measure, in the absence of demand triggers from OECD countries, supply side stimulus would have only partial effect and their success would largely depend on possibility of investment, growth and enhance demand within the region. Therefore, need of hour is to resist protectionism and developing countries in one voice have to bring forward strong agenda for countering moves in this direction being initiated by some countries. Emphasising this point in the London G-20 Meeting, the Prime Minister of India said that, (quote) *“We must tackle the crisis in a way which does not create other problems for the future. For instance, protectionism or restrictions on the free flow of trade and persons would be counterproductive. Nor can development be halted or sacrificed in the search for solutions to the financial crisis. Hence the need for special attention to the needs of developing countries.”*

I would like to highlight now the implications of the crisis for India, the manner in which the Indian authorities have responded to it, and the structural issues that have enabled India to weather the shock more effectively than many of the other countries elsewhere.

At the outset, the crisis has spread to India through financial markets, equity, money, forex and credit markets and the real sector through the slump in demand for exports. Two fiscal stimulus packages, together amounting to about 3% of GDP were announced in December 2008 and January 2009. It consisted of additional public spending, Government guaranteed fund for infrastructure financing, cuts in indirect taxes, and support to micro and small enterprises and exporters. The monetary measures, announced in various steps since mid September 2008 have potentially made available over US\$75 billion, or 7% of GDP of cumulative primary liquidity.

Growth in India, is likely to slacken but Indian economy will continue to register commendable performance, in relation to the general global trends. This can be attributed to certain structural features like: an extensive network of programmes for creation of infrastructure and social safety nets, which protect the poor and disadvantaged from the extreme impact of external shocks; an efficiently regulated and well administered banking system, which enables financial markets in India to withstand the severity of the impact of the crisis: and a relatively low rate of participation in the equity and asset markets, which insulates the majority of the population from the negative impact of the wealth loss effect.

Annual Report 2008 of the African Development Bank points out that despite Africa’s economic performance remaining positive in 2008, they face severe challenges from the global financial crisis. It is reported that due to decline in global demand,

African exports have come down. Furthermore, the financial crisis has led to a slowdown in capital inflows, reduced aid flows, and substantial outflows of short term capital.

The effects of this crisis are likely to severely impact the availability of adequate resources required for meeting the MDGs. Given the economic status of Regional Member Countries, African Development Bank Group has much larger and delicate role to play. In this context, India appreciates the efforts of African Development Bank to meet the challenges posed by the crisis. Without waiting for crisis to unfold completely, African Development Bank Group became the frontrunner in devising a concrete action plan in collaboration with the African Union and the United Nations Economic Commission of Africa leading to the formation of a Committee of 10 Ministers and Governors to continuously monitor the situation and recommending for suitable interventions.

India fully endorses the view point of the African Development Bank that despite crisis, focus shall be on strategic priorities as outlined in the medium term strategy for 2008-2012.

G-20 Initiatives

India approached G-20 summit meeting at London with a strong agenda. Our Prime Minister had said **(quote)** *“It is an unfortunate reality that the effects of the slowdown have spread across the world, and developing countries, particularly those in Africa, are facing its worst consequences. There are some issues which require particular focus such as the need to ensure the adequate flow of finances to the developing countries to overcome the reversal of international capital flows, and not retard progress towards the attainment of the Millennium Development Goals, the need to avoid protectionism in the trade of both goods and services, facilitation of trade finance, and reform and restructuring of international and financial architecture to reflect contemporary economic strengths.”* **(Unquote)**

India’s view point received wide acceptance and support. India emphasised the need for substantial increase in capital flows to developing countries and availability of adequate resources with International Financial Institutions. On both these counts progress has been substantial; G-20 agreed to expand the resources of the multilateral institutions and to also bring forward the quota review in the IMF. The leaders have also agreed to a fresh issue of SDRs. These are positive decisions and involve a massive provision of \$1.1 Trillion. India does not need IMF funding as such but we have been in favour of expanding IMF resources as this will help developing countries that need assistance. This move is bound to restore confidence among the emerging markets.

We also emphasised the need for improvements in regulatory and supervisory structure for the World’s financial system. These are likely to take effect with a time lag.

The role of New Partnership for Africa’s development (NEPAD) has been laudable in the G-20 Summit. After the summit, the President of the African

Development Bank stated that the provision of an additional Dollar 850 billion to be channeled through IMF and multilateral development Banks could benefit AfDB as well. An action plan emerging out of G-20 initiative needs immediate implementation. Reforming international financial institutions is the integral part of the action plan enunciated by G-20. It is imperative that Afro-Asian consensus is evolved on the issue.

Enhancing the resource base

To realize the objective of the medium term strategy paper floated by AfDB, capital base of the African Development Bank needs to be substantially raised. In the paper circulated on GCI-6 issues and framework, various scenarios have been worked out. In the short-lived crisis scenario paid-in capital is stated to increase by 2624 million UA and in under drawn-crisis scenario paid-in capital is proposed to be increase by 4374 million UA. While the proposal is being extensively examined, we feel that the paper on TCI-6 does not capture the flow of funds through multilateral institutions as an outcome of G-20 decisions. This needs to be incorporated in the document.

Concluding Remarks

To conclude, it is my pleasure and privilege to inform you that at AfDB's request India has revalidated the ongoing technical cooperation agreement between India and AfDB up to December 2010. Further, India is actively considering to launch the second phase of technical cooperation with AfDB. The draft of the proposed agreement is under consideration now and we are likely to finalize the same shortly.

We hope that when we next meet in Abidjan, Côte d'Ivoire, in 2010, the strategies put forward by the African Development Bank Group to meet the challenges posed by the financial crisis would have yielded significant positive impact. At Abidjan, we would continue to focus on our shared objectives to make Africa a vibrant growth centre devoid of poverty and malnutrition. With these words, I once again thank the Chair for allowing me to make this statement on behalf of India.