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Statement by the Hon. **PRANAB MUKHERJEE**,
Governor of the Bank and the Fund for **INDIA**

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Governor of the Bank and the Fund for India**

Mr. Chairman, Sir

Recent global developments have considerably undermined the prospects of a self-sustaining recovery. Political inflexibility and an apparent lack of will in responding to these problems have severely weakened business and consumer confidence.

Against this backdrop, a renewed commitment towards coordination of policy actions and re-calibration of policy instruments to the changed global environment assumes critical importance.

Policy makers in crisis-hit economies must accelerate repair and reform of the financial sector and take steps to repair market confidence in sovereign debt sustainability. In these countries there may be an immediate need for banks and other fragile financial institutions to raise private capital and for adequate public backstops. Wherever fiscal space exists in the advanced economies, growth supportive fiscal measures to create jobs need to be taken in conjunction with a credible medium term fiscal consolidation plan.

Recent assessment of the Fund's surveillance shows that effectiveness and evenhandedness are crucial for timely and specific early warnings of crises. Candid and relevant policy advice, in an environment of trust, should be able to create the needed traction for being adopted by countries.

During the last crisis, the Fund reformed its lending toolkits. We also ensured substantial resources for the Fund. Effectiveness of this resource pool will depend on the ability to identify triggers of systemic crises well before their onset, and quickly assuring needed backstops. Support should be specific to genuine bystanders with strong fundamentals and prudent macroeconomic policies, or to ones who can demonstrate strong commitment to these policies.

While focus should remain on the emerging crisis, we should also continue to pay attention to implementing the 2010 quota reforms quickly, appropriately rolling NAB into quota and making progress on the review of the quota formula.

I will now speak on the World Bank

The response of the World Bank Group to the last crisis was exemplary. A record lending made a crucial difference. In the unfolding global scenario, developing countries see the World Bank Group as an important partner. They should help them meet any foreseen and unforeseen challenges. However, we are worried over the lack of financial capacity in the Bank and the IFC. We also need to put IDA on a more sustainable footing.

In the light of the above, we would like the World Bank to focus on a few priorities:

- **The first and foremost is to address the lack of financial capacity of the Bank and the IFC.** They should work towards a strong capital base through a capital increase, and finding other creative ways to expand lending to and investment in developing countries.
- **IDA needs to be put on a more sustainable footing** with donors giving priority to IDA over Trust Funds, and also without weakening the resources of the IBRD and IFC.
- **Priority needs to be given to the upliftment of the poor, wherever the poor may be, without getting diverted by peripheral goals.** In this context, we would like to reiterate that efforts should be made to also address the needs of MICs particularly through enhanced financing, more knowledge products and a focus on the poor in MICs.
- **Food price inflation needs to be tackled on a priority basis.** This would require investments in both short-term measures focusing on immediate food supply and safety nets, and long-term measures to enhance agricultural productivity and output.
- **Generating additional and new finance for climate change** along with measures to encourage transfer of technology to developing countries.
- **Meeting the energy access needs of the poor.** While climate concerns are legitimate, providing access to energy for the poor is a priority far more important than sustaining energy intensive lifestyles.

I am happy that the Bank has taken up the agenda of gender equality and jobs. The only meaningful way to tackle poverty is through a development process which emphasizes swift job creation, while at the same time ensuring women's participation in good jobs. We endorse the Bank's efforts to promote gender equality and women's development.

From a developing country perspective, jobs require a massive shift in employment from agriculture to manufacturing, and skill development of a high order. The Global Development Report on Jobs must come up with concrete ideas on the demand and the supply side of the jobs challenge and also on how the transition can be managed.

By adapting their mandates and functions, the WBG and the IMF must remain the anchors of the evolving international financial architecture. We must all support the Fund and the Bank to play this role.

Thank you.