

## 'ADVANCED ECONOMIES' IDLE SAVINGS CAN BE DIVERTED TO ASIA'

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

More to do: ADB must help developing nations strengthen human capital, develop social safety nets, says S.C. Garg. PTI

India on Saturday suggested that funds from the idle savings pools of advanced economies could be funnelled to developing countries in Asia, where consumption is rising.

Such funds lie in pensions and insurance pools and in sovereign wealth funds and the Asian Development Bank (ADB) could play a role in channelising the money to emerging markets, said Subash Chandra Garg, Alternate Governor, ADB.

Addressing the business session of the 52nd Annual Meeting of the ADB, Mr. Garg, India's Economic Affairs Secretary, said: "Advanced economies are seeing stagnant consumption and they have much larger savings pools... than their investment requirement. If we can, with ADB assisting, ensure flow of funds from advanced economies to the emerging market and developing economies, we would succeed in not only keeping global growth sustained high but also make significant dent on poverty and infrastructure services debt."

Pointing out that private investment in infrastructure and human capital improvement will not flow unless projects are derisked with guarantees and structured support, he said: "In this respect, we don't think the recommendation of Eminent Persons Group report of G20 to do away with direct funding by MDBs and replace these by derisking instruments is right." He argued that multilateral development banks should be fully engaged and enhance their direct support. The ADB can help develop private sector initiatives by investing more through equity and infrastructure trusts, he said.

Urging the ADB to expand its social sector engagements in countries like India, he said: "For the last 52 years, ADB has helped developing market countries in building infrastructure and reducing extreme poverty. It's high time it helped them strengthen their human capital and develop social safety nets."

In what can be construed as a critique of the ADB over its strict environmental and social safeguards in assessing projects, Mr. Garg cautioned that the bank should ensure that its policy prescriptions "are rooted in ground realities and do not deter the developmental aspirations of the borrowing countries."

*(The writer is in Fiji at the invitation of ADB)*

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