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INDIA'S ECONOMIC PROSPECTS AND
ROLE IN THE WORLD ECONOMY

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Introduction:

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Fireside Chat:

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P R O C E E D I N G S

MR. COULIBALY: Good afternoon, everyone, and thank you for joining us. My name is Brahima Coulibaly, I am the vice president of the Global Economy and Development program here at Brookings.

It gives me great pleasure to welcome you all to Brookings for this convening on India's economic prospects and the role in the global economy. And to all of you following us online, thank you for joining. We know for some of you it's pretty late, particularly in Asia. And we appreciate your extra efforts for being with us.

This convening is part of the State of the Global Economy and Global Governance event series, which features leading voices on global and regional economic and governance issues.

We are very honored to welcome to Brookings Finance Minister Nirmala Sitharaman of India as India prepares to assume the presidency of the G20 this December. Minister Sitharaman, on behalf of the Brookings Institution and its leadership, welcome.

India's economy has advanced dramatically over the past decade, increasing GDP per capita by more than 50 percent. And with an annual GDP of 3.2 trillion in U.S. dollars in 2021, India is now the fifth largest economy in the world.

While many major economies are gripped by fear of global recession, India's economic growth prospects remain strong. The International Monetary Fund predicts a real GDP growth rate of 7.5 percent this year, which is more than double the world average, and the highest of any major economy in the world.

The various reforms undertaken in recent years seems to be paying off. While Minister Sitharaman served as minister of state for commerce and industry in 2014, the Modi government launched its flagship Make in India campaign, rejuvenating industrial policy to push the country's share of global manufacturing.

Since her appointment as Finance Minister, Sitharaman has overseen significant changes to the Indian economy from the 2019 labor market liberalization and the continued development

of the country's industrial policy, including targeted development of key sectors in renewables and in technology.

Her efforts to reform and modernize the Indian economy continues with the flagship, India Stack, a revolutionary program to digitize and widen the delivery of financial services to the country's 1.4 billion people. And also with the plan adoption, in conjunction with the Reserve Bank of India, of a digital currency, namely the digital rupee.

Like most countries around the world, India was also hit quite hard by the COVID-19 pandemic. Minister Sitharaman led the economy task force, overseeing the country's fiscal response to the crisis and presiding over India's remarkable recovery and continued strong economic performance.

As such, India remains the bright spot in the face of significant challenges and uncertainty around the world. Indeed there have been very few moments, really, in history when the world has faced the current confluence of global shocks and crisis. From the COVID-19 pandemic, the threat of wide-spread food and energy insecurity, the surge in inflation, and looming sovereign debt and climate crises, to high risk of a global recession, to the geopolitical crisis.

So more than ever, global cooperation is imperative not only to successfully navigate these challenges, but also to lay the foundation for more sustainable, inclusive, and resilient recoveries. And India's presidency of the G20 comes at a very opportune time. Amid increasing global polarization, geopolitical tensions, and economic slowdown, India's robust economic growth, neutral foreign policy stance, and as a strong representative of the Global South, really positions India to lead effectively in strengthening global governance to better address the multitude of shocks to the global economy that I mentioned earlier.

Here at Brookings we are very pleased to have been strong partners to the various presidencies of the G20 through the G20 process that we co-founded. Brookings stands ready to continue the partnership with India and share the expertise of our scholars on the various topics that will form India's priorities for the G20.

It is truly an honor to welcome Minister Sitharaman to share her expertise on the Indian

economy as well as India's priorities for the G20.

Minister Sitharaman has been India's finance minister since 2019. She previously served as the minister of defense and minister of state for commerce and industry, as I mentioned earlier. And among her recognitions she ranks 34th out of 100 in the 2019 edition of Forbes Magazine's Most Powerful Women in the World.

The event today will be moderated by my colleague, Eswar Prasad, who is a senior fellow in the Global Economy and Development program where he holds the new century chair in international trade and economics. And he's also professor of trade and trade policy and economics at Cornell University and research associate of the National Bureau of Economic Research.

His latest book on "The Future of Money: How the Digital Revolution is Transforming Currencies and Finance", was ranked among the top economics books for 2021 by major outlets, including the Financial Times and The Economist.

So with that let me now turn it over to you, Eswar, for the moderated discussion.

MR. PRASAD: Well, Minister Sitharaman, we have a lot to talk about. Thank you, Dr. Coulibaly for setting the stage so nicely. This should be a moment of triumph for India at one level, Minister Sitharaman. Performance in the Indian economy has been very good, at least relatively speaking, compared to most of the other major economies.

This morning the IMF dented that triumphalism a little by pushing down the growth rate for '21/'22 to 6.8 percent, although it still looks like next year India's likely to be one of the best performing major economies in the world. So perhaps we should give you an opportunity to take a lap of triumph.

What is it that India is doing right that has led to this, and what do you see as the short-term growth prospects over the next year or two?

MINISTER SITHARAMAN: While one didn't anticipate the pandemic, but it's been an attempt by the prime minister to, with a great deal of energy, to push the digitalization of the Indian economy since 2014. The effort had started earlier also. But the pace at which we tried covering various sectors of activities, getting the optical fibers, going into the Panchayat level, making sure that people are

very able to access it and so on, bringing it into their daily lives. So digitalization started in right earnest 2014 onwards. Again, financial inclusion was another thing which was ramped up. Again, no one knew that there was going to be a pandemic.

Much before 2014 you also had this digital identity number in the name of Aadhaar. That got speeded up as well. So if all this happened in the name of digitalizing Indian economy, what we had then headed to in 2014 a quite a lot of cleansing, cleaning up, connection, being brought in, looking at the health of institutions and so on.

Now all this applied to all the Indian banks, public sector. So you had to clean up the banks, understand why they had so many NPAs, decide on handling the NPAs without hurting the balance sheet, infuse money into the banks to have them enough funds for carrying on with their developmental and growth-related activities. So that was another major activity which was going on.

But then with all this coming in, when the pandemic came, no one knew how to handle it. I'm sure no part of the world can claim that we knew how to handle it. And at that time no one had the vaccine either. So giving relief, providing immediate, some kind of a succor, we're all instantly affected because of the digitalization which had happened already. Inclusion, financial inclusion had happened.

So it was possible for us to reach out to whoever we had to give some money, reach out to those who required food grains because it's very important from them today we continue the free food grain program for 80 crore Indian citizens.

So these are ways in which I suppose pre-pandemic efforts to making the economy far more robust with infrastructure framework being readied, not just roads and ports, but also the digital infrastructure. Financial inclusion so that everybody has an access to a bank account, that's one.

So these were things which had happened which came off handy during the pandemic. But during the pandemic as well, looking at it the other way. Not just handling the pandemic but seeing it as a time of opportunity to continue with the reforms. Whether it is looking at, again, amalgamation of banks, making bigger banks of all that we had, so that the Indian economy, which requires greater banks to meet with its aspirations, can have banks. And surprisingly, public sector banks did not allow their

client functions to be suffering because of the pandemic, but equally made sure that amalgamations happened without any, you know, friction points or pain points.

So pandemic was an opportunity to continue with reforms with a greater momentum. Whether it is making agriculture sustainable, whether it is making sure that we are able to spend a lot more money on infrastructure, whether it is removing a lot of these archaic laws which were becoming a burden of compliance and rent seeking. So all this happened. So one pre-pandemic, you do not expect a pandemic, but you kept doing the right things for people to get included in the financial world and also understanding their requirements.

And during the pandemic you didn't just tend to the pandemic, you didn't just work to get the vaccines, you didn't just make sure that the doctors had the right medicines or hospitals were fitted with testing labs and so on, but also to take opportunity to keep the reform movement going.

If these two have helped us as we were moving out of the pandemic, during the revival we made sure that enough credit was being made available to all those who need it. And MSMEs were particularly given particular care because they were on the verge of facing stress. We give them timely liquidity assistance without having to provide any new collaterals. And as a result of that the MSMEs also had the confidence that the government was listening to their needs and, you know, responding to them.

We changed the definition to help them, provided a moratorium so that they are not taking to the liquidation process. So I suppose too many of reform type steps which were taken during the pandemic kept the economy alive in the sense that they saw the government being responsive, sharing the people in the ground and responding.

I suppose these are a few things I will put forth. Even in the first question I don't want to take too much of a --

MR. PRASAD: That's a very important theme in your remarks, Minister, the notion that there were many reforms on the way before the pandemic hit, which increased India's resiliency through the pandemic and might have longer term payoffs.

Sticking with the short-term for the moment though. It looks like India is going to have a

pretty good 2023. But there are lots of risks out there. It's a very turbulent world we live in. And as we think about the last couple of years, I've been struck by some things about how India has done which are a little atypical related to the past.

In the past, you know, India was not able to take advantage of the worldwide recovery with exports, and you've seen exports going very fast, private sector investment has been doing very well, which is again is something that has tended to lag in some of the previous cycles. So there is some very positive elements about the short-term prospects.

On the other hand there are some issues like employment growth where there is a sense that the economy is not really generating as much as it could in terms of employment. And as we think about connecting the short-term to the longer term, with all the favorable demographics that India has, perhaps this is an area where one might need a little more effort.

But let me pose to you a more general question. What do you think are the risks over the next year or two? And in terms of these, you know, minor tweaks that could even further improve India's short-term growth performance, do you have anything planned?

MINISTER SITHARAMAN: You're right in highlighting that there are a lot of risks. And all of them I would, in a very generic fashion put it as extraneous to India economy. They're all things happening outside which are definitely hitting us. And we are every now and then understanding the intensity of this and responding to it.

Energy, fertilizer prices, energy not just the price, but also the availability, the risks to sourcing of energy. All these are challenges which are not in the medium term, not in the long term, but also in the short term.

At a time when all the economies globally are trying to one, attend to the climate related risks, and have committed themselves during the various COP '21/'22 and so on. As recently as in Scotland. You're looking at a transitional phase where you wanted natural gas to come through. India, of course, has proved that it has kept up the national determined commitments, as was given in Paris. And we'll continue to do that, and the Paris commitments were fulfilled purely and entirely with our own

resources.

But at this stage if natural gas is going to be beyond our means, obviously you're looking at reverting to coal to an extent because you need the base level of electricity to be generated. And that just cannot be done only through solar or wind energy. So you are telling yourself you've given your commitment, you've proved that you can fulfill the commitments, but now you're at risk of having to go back to determine is this right? And this is not a dilemma just for India, it's a dilemma for very many countries. So that is one major challenge for us for the immediate and for the medium term as well. How much more will you ramp up the installed capacity for solar or any other renewable, even if it's nuclear? That is one thing.

And second, of course, availability of fertilizer. India is a country which successfully produces almost all that we consume and are also in a position to export. Whether it's milk, whether it is vegetables, fruits, whether it is coarse grains, which is today the golden seed, the coarse grains are looked up to because they are the wellness-giving grains. All these abundantly produced in India. But we do need fertilizers.

Our soil is fairly fatigued out in some parts. And some of the plots they still are good living support beneath the soil. So you need that. Fertilizer is at a great risk. Last year we had to give 10 X the price to import. And obviously Indian farmers are still not really large farmers. Many of them just have barely enough land with which they produce. I don't want to use the word subsistence farmers. They do produce and they do market as well or they market the total produce and buy something else. So it's not the classical subsistence farmer. But they need fertilizer at an affordable price. I can't risk paying for cost by saying I'm importing it at this price, therefore it is yours to take and take the burden as well.

So we have footed the entire price. The farmer pays what he had paid in 2018, '19, '20, even today he pays that price in spite of the international price going up.

So these are energy, fertilizer, are all becoming expensive. As a result in some parts of the country, not so much for us, there is simple food insecurity. We are in a position to export. But if our import costs are going up, or if our farmers themselves come under stress, export and the global

understanding multilateral institutional compulsions don't help in exporting food that easily. And this is the bane of some understandings which have been given a place since the Uruguay Round. And we've been in every WTO meeting talking about it, saying it shouldn't be so. So these are some of the extraneous stress which can be on all of us.

But internally you did sort of talk about what are the efforts that you're likely to take and how are you going to go about it. Internally we are making sure credit is available and at an affordable rate. Where it is necessary to give an intervention in the form of interest subvention, we do that so that small and medium businesses can survive, farmers can get it at an absolutely affordable rate.

Similarly we have also moved to taking the digital thing on to health and education as well. As the result of which access to school, access to learning, better health facilities, are all now digitized. So tele-medicine is a big thing. Far flung areas of the country get also better treatment.

We are also expanding, since four years when it was introduced, the medical insurance, called the Ayushman Bharat Scheme, which is applicable to all the people below poverty and also those who are slightly above poverty line. They get the treatment free without paying cash, without paying any, without having to produce any paper. In any hospital, private or public, up to five Lakh rupees per year.

So these are measures which we are taking to make sure that the poor are not left without any care. At the same time the economy, which needs the boost for producing more, gets the boost in our FDI policy, in our industry policy, producing more within the country for the sake of making sure that our employment is very attended to, you raised the issue of employment.

I just want to give you the fact that the National Provident Fund Office, the NPFO as we call it, have a ledger they maintain to show how many net new payment is being made on new enrollments of job. That's actually doubled in the quarter which ends in June. So the first quarter of this year, financial year, has had a doubling of employment. But even as I say that, one last line on employment in India. The data that has been collected all these years have relied on only surveys and then some kind of an approximation. But equally today there are comments on periodic surveys which come up with datas on labor, formal sector, informal sector, and so on. Which give you data to prove that

after the pandemic it is improving.

But equally I would like to recognize the fact that there is a good lot of reshaping, recasting which is happening in the Indian economy. A lot of this I can tell you with my own direct conversations with very many industry leaders, post-2020, post-2021, the second round, the second wave, and the Omicron wave. Very many semi-skilled workers, very many very skilled workers, did not go back to their old employers. We have Mr. Mittal sitting here, he'll be able to speak about it as well. Those who were working in different heavily industrialized parts of the country, they themselves coming from different parts which are not so industrialized, who generically are being called as migrant laborers, went back to their villages. All of us knew about how they went back, some of them went back with the trains which were provided, others found their own way.

But when the pandemic subsided and then they had all been given also the vaccinations, many of them didn't go back to their old employers. They've been looking for better jobs and found them and therefore there is this good churn that is happening in the Indian economy and therefore the government set forth for scaling and upscaling is also being ramped up now. And the nature of employment itself is now also getting very speedily ramped up.

And that is why I am not surprised and I'm glad to quote the prime minister mentioned that India probably can lead the Industrial Revolution 4.0 industry level 2.0. When he said that what he indicated is in many industries, in a country like India today, have already gone into artificial intelligence, they're bringing technology into production. Shop floors have more robots than humans in some areas. And therefore there's a churn, so the long and short of employment related questions will have to wait for time to see where, who is going back, as what, and is also looking together with mission and missions intelligence, rather than just manually.

MR. PRASAD: There are two very important observations that were imbedded in what you said. Number one is that India is beginning to reveal some of its dynamism, and I think we've seen that just in the last couple of years when exports and the high skill, high technology sector have been doing very well, and the private investment going to that part of the economy has been doing very well as

well.

I also endorse your implicit view that we should have better data to measure what is really happening in such a dynamic economy. Although that of course is particularly complicated.

Minister, you talked about various parts of the reform agenda. And certainly over the last few years, especially during your time as Finance Minister, we've seen a lot of, you know, long standing reform hopes of many people, including myself, beginning to come to fruition. You spoke a little bit about what has been having with financial sector reforms. And of course the digitalization which is leading to more inclusion. We've seen progress on labor reforms after a long time.

On land and agriculture reforms, I know there have been some hiccups, but it seems that there is some progress there. There has been some expenditure reforms. What do you see as the real unfinished reform agenda and what are the key reform priorities of your government in the coming years?

MINISTER SITHARAMAN: I don't want to sound abstract in the answer that I want to give. Reform has become so much of a fixation of '91, you know, post-1991 when the Indian economy got opened up. You had a list of things to do and they were your first-generation reforms. Then after that there was a second generation of reforms again which had a certain set of, you know, listed out items.

The first set of reforms themselves, if you go by that kind of a listing, were not completed in '91 to '95, '96, or even after 10 years. For whatever reason. The second set obviously depended on getting the first set completed and then touching the second. So I say to you, we reached a stage in India, reached, you had reached a stage in India when it looked as if reforms were matters for discussion but would never getting executed. But I think from 2000 the virtue of making your economy even more simpler on that process and therefore opening up truly was made into a rather real-time robust process. It's not as if I'd done A from List 1, and B from List 2, I've done some reforms, they will have to be done. And now they have become old, or generation one of the reform whereas generation three is up on us and I'll be doing that as well as the question.

So when you ask me what are the reforms you still have to do, it is a process which I have to keep doing and doing and carrying it forward. So it's not just sufficient if I privatize a company

here or there, but even looking at some of the coal sectors, which we have announced during the 2021 budget, we spoke about public sector enterprises. We opened up all the sectors for private sector to come in. There was no one area totally reserved for public sector to be present. Everything was opened. That was not even listed reform. We've done it.

But then what happens to the public sector units which are already there in those areas? Do you want to keep them, do you don't want to keep them? We said only in four different areas would public sector be present at all. And they will be present minimally. So now we are also trying to remove those excesses, overgrowths, and prime those public sector, which per policy will have to be minimally present in some areas only, like telecommunication. There will be at least one public sector headed company. Which means the others will have to be either amalgamated, sold off, strategically disinvested, or it'll see ways in which they can become far more professionally run.

So these are also happening as we're going on. Electricity is going through major reformatory, you know, process, because electricity has a foot where the stakes are, the other ones were the center. Generation happens from the center. Some generation happens at the state. But the distribution happens at the state level. The payment processes have all been (inaudible).

So in a way reform is going through steadily and continuously. It's not as if we've done that and the story ended there, that we'll have a third-generation reform which has to deal with that. We are committed and we're going through it. And that is why you find even some of those archaic laws had to be removed because they've become very strong instruments of rent seeking, we didn't want that.

Electricity reform is one of those we just said. Banking, insurance sector are also being now primed. So these will continue.

MR. PRASAD: Okay. So that seems like a fairly ambitious set of steps that you still have in mind. As one thinks about the specific reform areas that are most closely connected to your domain. You know, fiscal policy in the last couple of years has been very supportive and done some growth. And I think the measures have very positive effects in terms of propping up growth at a very difficult time and in buffering the parts of the economy that were suffering.

And I also have to note that the way you speak about these policies is very different from the way I as a macroeconomist think about them in terms of data. You always seem to speak about what effects these have on the poor, the common people, and so on.

MINISTER SITHARAMAN: Is that Brookings telling me?

MR. PRASAD: No, it's just me as a macroeconomist. I tend to think about these somewhat more dryly. But I can see that the way you talk about these policies you're thinking about the micro effects rather than just a macroeconomic angles.

But going back to the fiscal issue. You know again there is some macro realities as well to deal with. So if one looked at the central government deficit, you know, it's been around 7 percent depending on how you measure it the last couple of years. The agenda government deficit is in small double digits. But of course you have a public debt that is about 90 percent of GDP. But one level the public debt doesn't seem like a major concern in terms of sustainability because, you know, you're generating growth of about 6 to 7 percent. And the real interest rate is below that. It's not a major sustainable issue.

But I know that following the Finance Commission's recommendations you do have a specific plan to bring down the deficit. Could you talk a little bit more about those plans and how they square up with the needs of the Indian economy in terms of the support that is necessary to keep growth going and to ask as a buffer for the reforms?

MINISTER SITHARAMAN: The 2020 source of having to borrow and spend, borrow also on behalf of the states because of the GST commitments that had been given in the name of 14 percent compensation, which would be given. So those were borrowed by us but then obviously there's states borrowing because we borrowed it and back-to-back sent it to them.

So 2020 both the center and the states have been, was a very difficult year and borrowing did spike. And no one could have questioned that borrowing. And subsequently in '21 we also made sure that capital expenditure, public, would be substantially high because for the economy to revive we needed to spend from the government for infrastructure, capital asset creation. Because we believed

that that multiplier is what is going to help the economy to revive, not spend through revenue expenditure. I've quoted this number a lot of times, I will repeat it. Because money spent on infrastructure building capital expenditure has a multiplier of 2.4 for every rupee spent. Whereas if you were to spend it as a revenue expenditure it gives you less than a rupee, something like 0.9599 for every rupee spent.

So we understood the virtue of spending on asset creation, and that is why we went through the troop, and even that required some borrowing. But that budget post the pandemic. Even if we hadn't come out of it, we very clearly showed the deficit where it was, didn't do any under the carpet business or, you know, playing around with it. Openly stated where we were. And also gave ourselves a glide path, saying this is how we will come back to the level that is acceptable in terms of fiscal deficit. We've not strayed away from it although after 2020, the '21 budget give a 34 percent increase in public spending and infrastructure.

A similar increase was also made in this budget, February 1st, 2022. Even with all that we remain committed to maintaining the fiscal deficit right back that we've given. So that is one of the ways in which I think we're conscious in prudentially managing the finances.

MR. PRASAD: So you have a budget coming up in February and it's going to be an important budget because it's India coming out of the pandemic, as you said, on a glide path in terms of fiscal sustainability but also thinking about the medium term. Would you care to talk about what priorities you might have in the budget in terms of specific expenditure or revenue measures?

MINISTER SITHARAMAN: Specific may be difficult at this stage because it's a bit too early. But broadly, the growth priorities will be kept absolutely on the top, even as I speak about the concerns that inflation brings before me. So inflation concerns will have to be addressed. But then how would you manage growth would be the natural question. But that's the point of, you know, being sure how you're going to be able to balance the two and be sure that the momentum that the Indian economy has got coming out of the pandemic and the momentum with which it'll grow even the next year even as per the very many multilateral institutions which are observing India, cannot be weakened.

So it will have to again be a very carefully structured budget in which the growth

momentum will have to be sustained.

MR. PRASAD: You spoke in some detail about the financial inclusion effects, you know, underpinned by Aadhaar, but, you know, which the world knows as the India Stack. And also there were a number of measures taken during the last couple of years to protect it, especially the economically underprivileged. So as we get out of this difficult period, think about the medium term, are there other measures of plans you have to think about, you know, raising the level of standard of living, particularly of those at the bottom end of the economic spectrum and making sure that they have better protection from the sort of risks that they face related to agricultural shocks, related to unemployment shocks and so forth?

MINISTER SITHARAMAN: I suppose the way in which we responded between last year sometime, June until this year's March, April will give you an indication of how we are planning to handle that. The global stress that hits us, the energy, or fertilizer, or on food, all of this we are carefully watchful and making sure that that stress doesn't get passed on to the people. That is why once before, probably last year, November, October, November, and once in early June this year, the excise due on fuel was brought down so that the common citizen doesn't bear the brunt of increasing fuel prices. That is one way in which we are making sure that those of the vulnerable sections don't get hurt. Giving food was another. Equally, making sure that if they take money for meeting the input cost, they are also given interest subvention, so they pay minimum.

But the larger principle of doing all this is looking at the poor and giving them support in such a way that it empowers them so that the next stage would be for them to take care of the family's needs, taking care of, would they spend money in, you know, giving further education to the child, would they seek some kind of assistance if there is health, health is getting covered in the insurance. Lot of scholarships have been given for it. So empowering is the principle rather than entitlement.

Now entitlement is very easy because you know the moment you give them money you can always check the box and say I've done it, money's gone there. But that's not the way in which we want to be. We are going layer by layer, top to bottom, and making sure across the board everybody gets

covered from the sense of you're entitled on some matters but majorly we are tending to you so that you have your house, you have drinking water, your sanitation needs are taken care of, you're given a proper electricity connection. And at the end of the day therefor the family feels empowered enough to take care of, you know, providing other assistance to the members of the family. All that which hadn't happened in these many decades.

So the principle of entitlement was this empowerment is what is governing us when we deal with schemes which will touch the vulnerable sections.

MR. PRASAD: So if I may take you from thinking about the common man to thinking on a global scale right now. In December of this year in India takes over the G20 presidency. And it's a very fraught time in the world, there are lots of economic uncertainties out there. But also, it's geopolitically a time with a great deal of tensions in the world seems to be getting, you know, pulled apart by many of these forces.

And India has taken a neutral stance on many of these issues. So do you have any plans for using the G20, you know, presidency to sort of try and bring the world together, and more generally, what are your priorities of the G20 presidency?

MINISTER SITHARAMAN: You're right, this is a very challenging time to, you know, inherit from Indonesia the chair. And work together, we'll be working very closely together with the membership so that, you know, I'm only indicating broadly the kind of areas in which the time demands that we work to achieve some of these outcomes.

Multilateral institutions need to be strengthened. The capacity to deal with pandemic or any future such stressful global developments will have to be bettered. We need to have finance to deal with, you know, any future pandemic or disaster, climate related disasters are now becoming far more frequent than we could imagine, resilient infrastructures required.

Do we know how we can handle cloudbursts or sinking islands and so on? And climate finance has not been something which has been smooth. A lot of talk has happened but really has not seen the light of the day.

So I think we have issues which are one, the legacy issues which are coming from various different presidencies which some of which will have to be carried further. But I think multilateral institutions and this trend will have to be talked about. It's just not a coincidence that the earlier presidency, our presidency and the one next will all be emerging from the emerging markets. So their voice, their priorities will also have to find some kind of a traction.

And I would also think it's important for the global issues to be sorted out, institutions should be robust to give solutions. We find in the last few decades institutions have existed, but problems remain, solutions are not coming through them. So make them far more effective to work together. In that I think G20 has a particularly unique role to play. You found that the solution for global taxation on multinational companies which are existing in one area but also generating money from a different area, the two-pillar solution. Which came through from the G20.

So G20 has a great potential to work towards global goods and, when I say public goods, will also have to be made far more strengthened in India Stack for instance can become a global stack, efficient cross-border payments, cheaper, you know, remittances are all the benefits which we can derive out of it. So these are some of the areas in which I would want the G20 to work together. We'd love to work together with them and get some good outcomes.

MR. PRASAD: So some of my colleagues like Dr. Qureshi, Dr. Bhattacharya, and of course, Dr. Coulibaly, tear their hairs out in the process of trying to, you know, bring more logic to the G20 process. You seem to have faith that these institutions that we have need to be modified but are still going to be able to meet the challenges here. Do you think any substantial institution reform in the sense of new institutions might be needed, or just modifications of what we now have?

MINISTER SITHARAMAN: I'm not against new institutions. But if there are institutions which have been with us and we know where their problems are, wouldn't it be easier for us to remove the problems and make them far more efficient? Equally you can form new institutions, nobody is against it. But you have institutions and there has been some sense of comfort since after the Second World War we said we knew how to handle our money, our finances, our economies, our trade, everything. But

suddenly we also think they've not stood up to face the challenges of the times.

We need to have these institutions really revived and to serve the purpose for which they've been established. You need newer ones, please do. From the lessons learned from how these have become less effective we need to make them more effective as well, so the job is doubly there as much as providing these and giving them new leash of life. So I suppose those of us who want new institutions, welcome, please do. But do learn the lessons of what happened in the last decades.

MR. PRASAD: I guess that is a critical issue. We do have new institutions; we certainly need better ones than the ones we have right now.

We've covered a lot of ground, minister, but maybe we'll just open it up to a couple of questions from the audience.

If you're asking a question, please remember that this is the finance minister who has responsibility for financial and economic issues. Also please identify yourself, just your name and affiliation. And no statements, please. One or two sentences and it has to be a precise question, please.

MR. ATROGIN: I'm Suden Atrogin (phonetic) from (inaudible) DC. So India has created a lot of unicorns of late and that's one of the biggest things that's been achieved. What's also happening is most of these unicorns, after some time, move out of India, losing, you know, opportunity to actually create more jobs and also the comfort feeling for investors to actually invest in India. So these companies move to Dubai, to Singapore, some of them to U.S.

So what could be done for the win/win. So these companies actually grow and are actually able to create the maximum impact through the whole life cycle?

MR. PRASAD: Let's maybe take a couple more questions and then the minister can answer them in turn. Right here, sir. Actually why don't you give the mic to that lady there, let's take that question and then we'll come here.

MS. ANGELA: Good afternoon. My name is Angela and I'm from northeast part of India. So I have a question regarding the northeast. So in the northeast incubation hubs like less that needs to be increased and currently it is in the state level. And what is the plan to get it into more like a, you know,

district level or probably to the blocks.

MR. PRASAD: Thank you. What is your question, sir?

QUESTIONER: (inaudible) And poor quality of human capital. So I'm just would like you to answer these questions if it is possible. I know you have covered a couple of --

MR. PRASAD: Okay, thank you, sir. I think your question is clear. Let's take one more question from that lady over there. Okay, go ahead, we'll take both ladies. Please keep your questions short.

QUESTIONER: So, you know, talking about the dream of Prime Minister Narendra Modi, doubling of farmers' income. Where are we standing currently, and what are the challenges you see apart from the fertilizers you said. Because I work with NASA Harvest, and we do the global agricultural monitor using satellite sensing so I'd love to know if we can help in that.

MR. PRASAD: Okay. And one last question from that lady there.

QUESTIONER: Hi. Thank you so much for talking to us about everything. So I'm a student at the University of Maryland here. And I would just like, I'm really proud of our UPI system in India. I just wanted to ask what do you think are the future plans for the UPI system and how can we share it with the world, like specifically in the U.S.? That's what I miss the most about India, not having UPI system in the U.S. So thank you.

MR. PRASAD: That's true, minister, we certainly need to get some Indian expertise here, our payment systems are not great.

So the questions seem to be about unicorns, about innovation hubs, about human capital. So maybe you can give us a brief overview of your thoughts on these matters.

MINISTER SITHARAMAN: On the startups and unicorns. Since 2015 when the prime minister made it a point to encourage and overtly support those who want to set up startups in India, also to give them all institutional backup, whether by setting up incubation centers or, you know, later day financing and so on. Between '15 and '20 you saw them grow and we've maintained consistently our position as third largest ecosystem for startups. And in that period, I have engaged, the prime minister

himself has engaged, with the startups to know what they want from India, and we kept as much as possible addressing their concerns.

Now as a result of which, not purely as a result of which, but also because of which, you saw unicorns coming to reach 100 in number within one year of 2020 and 2021, all at one go you saw one after the other.

Now I've heard this from others as well, they're moving to Singapore, they're moving to UAE. Well if they want to talk to the government of India and say look, we were moving to Singapore, but if you were to do this we'll quite happily be here and if after hearing it if it's possible we'll certainly help them do that. So I would think continuous engagement with a startups is what is going to help for them to, one, remain and do better within India. But if there are temptations for which they would want to go outside, we need to understand how much we can entertain and serve on those goals. Not all of them are possible but equally we can try.

Northeast. I think I will dare say this, that in the last several decades the prominence that Northeast has been given by the current government, between 2014 and now, is one of the most exhaustive. More can be done, more has been done, more will be continued to be done. But as regards startups in the northeast, I remember myself having had meetings with chief ministers of those regions about startups and IIT Guwahati particularly has a lot of interaction with industry. And also encourages by throwing up challenges for the startups to come up with solutions. And as a result I find in the northeast there's a unique, very typical for the northeast, kind of solutions emanating from startups which are coming up in that area.

Now the point that you mentioned about taking it down to the districts and the blocks and something like that. As it is in our policy, even as we started talking about startup, there was one announcement made called the Standup India. I don't know if you're familiar with it. That was to take the startup revolution to the rural areas. And that through the banks where every branch of every bank, largely public sector banks, wherever they are present, were mandated to give assistance to in the weight of entrepreneur in that area. They could come from SCs, meaning the scheduled castes, scheduled

tribes, or more importantly, even women. So not only taking it to the block level or district level, wherever the branches there they have to give assistance for startups in the local area. It's already happening through that common scheme. It has to widen itself of course but it's happening.

I think many of the issues that you raised were addressed, in terms of handling inflation, in terms of making sure the pressure is not on the common citizen of growing import costs, growing inflation because of extraneous factors and so on. So I suppose if I were to carve it out from various different answers that I've given it'll probably address the issue that you've raised.

Farmers' income and doubling of income – the promise that we've given, and we are carefully attending to it. I can see, Honorable Ashokaliti (phonetic) has done a lot of work on agriculture here. I've even attended quite a few of his programs. By providing facility for the farmers to have solar panels in their fields, in the hedges of their fields and also rooftops, people have realized that not only can they save on fuel costs, energy costs, but they can also sell that through linking with the grid is one of the steps through which I use the expression (speaks Hindi), meaning that the person who is producing food can also produce energy. So that's also giving them some income.

The prime minister brought in a scheme of (speaks Hindi), through which every farmer gets 6,000 rupees in three installments through the year that reaches them. They are giving crop loan at an incentivized rate. So that can cut the input costs and therefore give some saving to the family.

Also now the cost of the fertilizer being what they are, there is a great movement within the country to use nano-fertilizers, which are minimal use but maximum revenue. And that nano-fertilizer, largely produced within the country, the capacity of producing nano-fertilizers are being ramped up. And as a result we think that input costs of farmers will come down.

Other than that, farmers have been given incentive to keep bees, produce honey in their fields. If they had additionally kept a cow or a couple of, you know, milk-giving animals, they are given a Kisan credit card for that. They can go to the banks and get concessional credit. So that is being extended to those who keep cows or bovine animals, goats, piggery, fish in a pond or in a river.

So the farmer is now perceived as not just the one who hoes, tills this land and produce

crops and seeks to get a fair price, but there are so many other ways in which he is now being facilitated. We're also allowing farmers to form groups called Farmer Producer Organizer. And they're allowed to make a profit out of the functions that they undertake as FPOs. FPOs are given rights to procure and aggregate the crop, store in the village. For storage capacity we are giving liability gap funding. So the farmers and their wives or any member of the family can become the silo owner, earn money out of it. So Farmer Producer Organizations nowadays start aggregating produce of that area and not sell at a distressed price. Selling immediately after the harvest he is not going to get good rate, but if he has better storage, he gets a better rate.

So doubling the income doesn't confine itself to only the crop or the land-based activity that he's doing, but everything else that he does, being there as a farmer is also being brought in. So.

MR. PRASAD: Thank you, Minister.

MINISTER SITHARAMAN: Where is that last question lady?

MR. PRASAD: About the UPI.

MINISTER SITHARAMAN: UPI.

MR. PRASAD: I think that's certainly true that we need --

MINISTER SITHARAMAN: I'm glad to hear that. Actually you said the second thing as well, which was going to be my answer. In that we are talking to different countries, Singapore, UAE, have come forward now to make rupee acceptable in their countries. Not just that, the UPI, the B map and everything else, NCPI, are all now being worked in such a way that their systems in their respective country, however robust or otherwise, can talk to our system and interoperability itself will give strength for India's expertise in those countries. We're working together with several countries.

MR. PRASAD: Thank you, Minister Sitharaman. We really appreciate the time you took to come to Brookings and share these prospects. It's been a very rich discussion, and I think we're all left with a sense of a couple of things. Your mastery of detail and also your empathy for the common man or woman, which I think is a very good portent that India's economic destiny's in good hands. And I think all of us at Brookings and all of us here of course are cheering on India, both in terms of its economic

prospects, but also in the context of its G20 mission to perhaps try and bring the world together.

And on a personal note I should also note that in addition to your work as a policymaker I've been a long admirer of your commitment, your lifelong commitment to gender equality and to education. Both causes that I know that you've spent a lot of time and effort on.

And most importantly, thank you in these very dark times in leaving us with a sense of optimism about India and the world.

MINISTER SITHARAMAN: Thank you very much.

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