

Address to the Board of Governors
by
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“Striving Towards an Asia and Pacific Region Free of Poverty”

I. Introduction

Your Excellencies, ladies and gentlemen, I am pleased to join the Chairman, the Honorable Paul O’Neill, Secretary of the Treasury of the United States, in welcoming you to the Thirty-Fourth Annual Meeting of the Board of Governors of the Asian Development Bank.

We are deeply honored by the Statement of the President of the United States. The President of the United States says, and I quote, “The Asian Development Bank continues to be a vital catalyst in promoting economic growth, creating jobs, and raising living standards in some of the world’s most dynamic economies. The Asia Pacific region is a crucial partner to the United States.”

We are honored by the presence of the Honorable Benjamin Cayetano, Governor of the State of Hawaii.

I would like to express our appreciation and gratitude to Governor Cayetano as well as the Mayor, the Honorable Jeremy Harris, and the people of the City of Honolulu for their gracious hospitality in welcoming ADB to Hawaii, the crossroads of the Pacific, where East meets West, and the symbiosis of an achievable prosperity in a sustainable environment.

I would also like to thank the Hawaii Steering Committee, the Hawaii ADB Organizing Committee, and their staff for their hard work and dedication in bringing this Annual Meeting to fruition. This is ADB’s second Annual Meeting in Honolulu. I sincerely appreciate the spirit of “aloha” and friendship that has been so kindly extended to all of us by the people of Hawaii.

I would like to bid a special welcome, on behalf of ADB’s entire membership, to the Governor of Turkmenistan whose country has become the 59th member of ADB.

I would also like to extend a warm welcome to representatives of our development partners, including multilateral and bilateral institutions, members of the financial community, civil society and NGOs, and our friends in the media.

It is pleasing to see so many participants at this first Annual Meeting of ADB in the 21st century. Collectively, you represent the support and cooperation ADB needs in meeting a multitude of challenges in Asia and the Pacific. Your presence here gives us

the confidence that we will need to meet and overcome daunting challenges in the new century.

II. Regional and ADB Performance

Regional Economic Performance

Mr. Chairman, Governors, ladies and gentlemen, the year 2000 saw a further consolidation of Asia's recovery from the financial crisis of 1997. The five countries most affected by the crisis achieved an average growth rate of nearly 7 percent in 2000, the best aggregate performance since 1997. Together with solid economic growth in less-affected countries, developing Asia as a whole continued to be the fastest growing region in the world.

Although Asian economies will continue to grow in 2001 and 2002, such growth is expected to be slower than in 2000. For many countries, the slowdown reflects heightened external risks, primarily the faster-than-expected slowdown of the global economy, and a deceleration in the technology and electronics sectors since the second half of 2000. We believe that downside risks are manageable, and fears of a new regional crisis seem exaggerated. Drawing upon the severe lessons of the Asian financial crisis, Asian economies have become much more resilient to external shocks compared to the pre-crisis period, with more flexible exchange rate systems, increased foreign exchange reserves, reduced short-term external debt, and a demonstrated commitment to ongoing reforms. However, the achievement of sustained growth will require further progress in macroeconomic management and implementing structural and policy reforms, including financial and corporate restructuring, fiscal consolidation, and improved governance. ADB will work closely with its developing member countries or DMCs to accelerate and complete the much needed reform process.

ADB's Highlights Last Year

Mr. Chairman, Governors, ladies and gentlemen, under your guidance and with your strong support, the year 2000 turned out to be another productive year in pursuit of our overarching goal of poverty reduction in Asia and the Pacific. Let me briefly outline our accomplishments since ADB's last Annual Meeting in Chiang Mai.

First, and foremost, we initiated implementation of our Poverty Reduction Strategy with its three conceptual pillars of pro-poor, sustainable economic growth; social development; and good governance. Working in full consultation with governments, other donor agencies, and a wide range of stakeholders, we have started country-specific Poverty Analyses, and deepened our understanding of the causes and manifestations of poverty in each and every one of our DMCs. Such Poverty Analyses provide the basis for discussions at a High-Level Forum in each country which lead to Country Strategies and Programs, as well as Partnership Agreements for Poverty Reduction. These Partnership Agreements represent a concerted commitment to attain specific poverty reduction targets, and identify assistance levels and operational

priorities. Partnership Agreements have been signed with Bangladesh, Indonesia and Mongolia, and will be signed with many other DMCs this year.

Second, we started implementation of our Private Sector Development Strategy. The Asian experience has demonstrated that a dynamic private sector is critical to achieving pro-poor, sustainable economic growth, the first pillar of our Poverty Reduction Strategy. Under the Private Sector Development Strategy, we help to put in place an enabling policy and institutional environment. We aim to catalyze private sector investments, and we use our public sector operations to increase opportunities for the private sector. In addition, to facilitate even greater private sector involvement in the development process, our Board of Directors approved policies on partial credit guarantees and political risk guarantees which expand the range of ADB's credit enhancement instruments.

Third, we are now finalizing our Social Protection Strategic Framework following an extensive consultation process involving governments, international development agencies, NGOs and civil society. Social protection, as an integral part of social development, the second pillar of our Poverty Reduction Strategy, emphasizes investing in human capital, particularly women in development, increasing productivity, and reducing human vulnerability to risks, as a means of addressing poverty and enhancing the quality of economic growth.

Fourth, ADB's Medium-Term Agenda and Action Plan for Promoting Good Governance was adopted early this year. Good governance is the third pillar of ADB's Poverty Reduction Strategy, and the action plan details a wide range of activities and initiatives to be taken in the medium term.

Fifth, we have been implementing our Resident Mission Policy, which was approved by our Board of Directors in early 2000, to maximize the efficiency and impact of ADB's operations in our DMCs. New Resident Missions have already been established in the People's Republic of China, Mongolia, and Lao People's Democratic Republic. We also opened a Country Office in the Philippines earlier this year.

Sixth, we recently established an NGO Center within ADB to serve as the focal point for further strengthening ADB's interaction and communication with NGOs and civil society in general. ADB's NGO Center has already started to forge strategic alliances with international and regional NGOs.

Seventh, in our efforts to assist East Timor, ADB played a key role in establishing a Special Trust Fund for East Timor, together with the World Bank. The Trust Fund now enables all donors to contribute to rebuilding East Timor in a coordinated and collaborative manner. ADB's representative in East Timor has been sharing an office with World Bank staff since February 2000.

Eighth, ADB recently formulated a Pacific Strategy for the New Millennium. ADB has always responded to the needs of smaller countries such as those in the Pacific region. Pacific DMCs face common development challenges. These include a slowdown

in macroeconomic performance, a relatively high incidence of poverty, and rapid environmental degradation. The Pacific Strategy lays out strategic objectives as well as operational priorities for the Pacific DMCs.

Ninth, ADB's Board of Directors approved three emergency assistance loans late last year to rehabilitate social and physical infrastructure in the wake of the devastating floods in Bangladesh, Cambodia and Viet Nam. Our Board also recently approved an emergency rehabilitation loan to assist Gujarat, India, recover from the tragic earthquake earlier this year. Our staff worked extremely hard with government counterparts to respond in record time. I have also initiated a review of our existing Policy on Rehabilitation Assistance After Disasters to identify what steps are necessary for even faster and more systematic assistance in the aftermath of disasters.

Last, and most importantly, ADB has recently completed the formulation of its Long-Term Strategic Framework or LTSF. Preparation of the LTSF was guided by a wide consultation process. During the year 2000, we held extensive consultations with our Board of Directors, borrowing and nonborrowing shareholders, multilateral and bilateral development partners, representatives of NGOs and civil society, and members of a senior external advisory panel. I would like to take this opportunity to thank everyone for their valuable inputs and contributions to this important document. The LTSF is closely aligned to achieve the International Development Goals for reducing poverty, and presents ADB's vision and agenda for meeting the challenges in Asia and the Pacific during the first decade and a half of the new century, from 2001 to 2015. The LTSF is the essential road map for achieving our overarching goal of poverty reduction in Asia and the Pacific.

III. Challenges in the New Century

Ladies and gentlemen, there are many development challenges in Asia and the Pacific. Today, I will elaborate on three key challenges facing our DMCs in the new century, namely, reducing poverty, addressing environmental degradation, and responding to globalization.

Reducing Poverty

The first and foremost challenge is poverty reduction. Despite unprecedented and unparalleled economic growth in many Asian countries over the past three decades, Asia still remains home to two-thirds of the world's poor. Poverty in a world as knowledgeable and resourceful as ours is totally unacceptable. Public policy and action can and must eliminate poverty. Because Asia is home to two-thirds of the world's poor, the fight against global poverty must be won here in this region. If the world is to halve poverty by 2015, Asia and the Pacific must be the spearhead in this effort. The three pillars of our Poverty Reduction Strategy – pro-poor, sustainable economic growth; social development; and good governance – enable us to address the many dimensions of poverty in a holistic way and provide us with the necessary focus in our poverty reduction interventions.

The importance of the private sector in our fight against poverty cannot be overemphasized. The private sector is the engine of growth and plays a significant role in reducing poverty. ADB can play an important role in assisting DMCs establish appropriate frameworks which will ensure full participation of the private sector in the development process. Taking into account huge infrastructure requirements across the region, a more active involvement of the private sector, including public–private partnerships, is essential.

The provision of essential social services such as basic education, health care, safe drinking water and sanitation, as well as the availability of adequate social safety nets is critical to social development, the second pillar of our Poverty Reduction Strategy. Our forthcoming Social Protection Strategic Framework, and Policy on Education, will strengthen ADB’s social development interventions.

Poverty reduction cannot be achieved without the third pillar, good governance. Good governance benefits all, particularly the poor who are the least capable of coping with the consequences of bad governance. In all of ADB’s efforts to support and promote good governance, four key elements are addressed: accountability, participation, predictability and transparency. There is indeed a strong correlation between good governance and economic growth. Our Action Plan for Promoting Good Governance, which we adopted this year, will guide us in this important endeavor.

Addressing Environmental Degradation

The second challenge is addressing environmental degradation. Poverty is both a contributor to, and major consequence of, environmental degradation. The air and water in many parts of Asia are among the most polluted in the world. The poor suffer the most from the destruction of our natural environment. The urban poor, for example, live in the most polluted areas, and often work in the most environmentally hazardous jobs. Rapid urbanization exerts tremendous pressure on urban environment and poverty. The depletion of natural resources and land degradation also impact heavily on the rural poor, because they are often pushed into marginal and less productive lands.

Asia’s future will be shaped to a considerable extent by our ability to address the growing problems of air and water pollution, solid and hazardous waste management, deforestation, desertification, and loss of biodiversity. Environmental considerations must become an integral part of the fabric of mainstream policymaking and public administration. Good governance and the participation of poor communities are essential for sustainable environmental management.

Fully recognizing the nexus between poverty and environment, ADB is preparing a new Environment Policy which will complement our Poverty Reduction Strategy by ensuring that environmental resources on which the poor depend are conserved; integrating environmental objectives into the economic development process; and stimulating institutional change to ensure an accelerated flow of resources for environmental improvement.

Responding to Globalization

The third challenge is responding to globalization. Globalization opens up opportunities for developing countries, facilitating wider and faster access to resources, capital, technology, know-how, and markets, thereby expanding development options and increasing the potential for participation in the development process. Asian economies have generally been successful in harnessing the benefits of globalization to achieve rapid economic growth and reduce poverty.

On the other hand, globalization also involves risks that have to be managed. Globalization can generate social and economic stresses as well as financial volatility. As we saw in the recent financial crisis, volatility affects the operation of the domestic financial system, causes distress to the corporate sector, and can impose a heavy toll on developing economies, particularly when policies and institutional capacities are vulnerable. The poor, unskilled, and uneducated often suffer disproportionately.

Powerful economic and technological forces are at work that are likely to render the world economy even more globalized in the future. Turning away from open economies is hardly the way to respond to this challenge of globalization. The real challenge for us is how to maximize the benefits of globalization while, at the same time, minimize its risks and downside effects. In response to globalization, we need to equip ourselves with the capacities necessary to participate efficiently in global markets. We must have the ability to adjust our economic structures to a changing external environment.

We also need a stable macroeconomy, prudent financial management, sound regulatory practices, and necessary structural and institutional reforms in the financial and corporate sectors. Ongoing regional cooperation in various fields, including trade and investment, finance, and economic monitoring, is playing an increasingly important role in strengthening the capabilities of the region to respond to a rapidly changing environment. Measures also need to be taken to minimize the risks of globalization on the poor. The focus should be on education, health, skills development, and social protection measures. ADB will continue to assist its DMCs in strengthening the financial sector, developing capital markets, improving banking supervision, promoting regional cooperation, providing adequate social protection, and education and training. ADB's forthcoming Information and Communication Technology Strategy will guide us in assisting DMCs in responding to the technological revolution.

IV. Initial Steps in the 21st Century

Mr. Chairman, Governors, ladies and gentlemen, let me touch upon initial steps ADB is taking in the 21st century.

First, the Long-Term Strategic Framework or LTSF. We believe that unlocking the potential of the poor will substantially contribute to overall development, leading to

an enhanced quality of life for all. We are, therefore, committed to helping our DMCs reduce poverty and improve their living conditions.

The three core areas of intervention in the LTSF directly correspond to the three pillars of our Poverty Reduction Strategy. In addition, the LTSF defines three cross-cutting themes: one, promoting the role of the private sector in development; two, supporting regional cooperation and integration for development; and three, addressing environmental sustainability. The LTSF also identifies key operating principles for implementing the strategy which include ensuring strong country ownership, enhancing strategic partnerships, and measuring development impacts. The LTSF will be implemented through a Medium-Term Strategic Framework, the first covering the five-year period from 2001 to 2005.

Second, review of the organization. In order to strengthen ADB's capacity to deliver the mandate of the LTSF and to meet the development challenges of Asia and the Pacific as we begin the new century, I recently initiated a review of ADB's current organization. Following this review, and in consultation with our shareholders, we will decide upon the necessary actions to be taken.

Third, promoting better partnerships. In our commitment to promoting lasting partnerships, ADB is developing new mechanisms to work more closely with a wide range of development partners, including multilateral and bilateral agencies, as well as civil society and NGOs. A Partnership Agreement with the Inter-American Development Bank and Memoranda of Understanding with the United Nations Environment Programme and the United Nations Development Programme were signed recently. Memoranda of understanding with the World Bank and the International Labour Organisation are also being discussed. Our recently established NGO Center will also be forging new partnerships with NGOs and civil society.

Fourth, efficient and effective use of the Asian Development Fund or ADF.

I would like to take this opportunity to express my gratitude to the donor member countries for their generous contributions to the ADF, one of our most precious resources in the fight against poverty. Thanks to your cooperation and understanding, the ADF VIII negotiations were successfully concluded last September. I am fully committed to the efficient and effective use of scarce ADF resources for poverty reduction. Implementation of the new Policy on Performance-based Allocation of ADF Resources is now underway.

Fifth, ensuring adequate financial and human resources. In order to fulfill ADB's development mandate and respond to unexpected needs in our DMCs, we must secure adequate financial resources. Our approach rests on maintaining sound financial management of existing resources, and maximizing internal efforts to utilize them to the fullest extent before taking any other actions. This approach has underpinned our efforts to guarantee the availability of an appropriate level of financial resources for both loan operations and technical assistance activities. ADB's effectiveness and impact is

ultimately dependent upon its human resources. We are continually reassessing our skills requirements so that we have qualified and capable staff. We must ensure that ADB, as the leading multilateral development bank for the Asia and Pacific region, can contribute most efficiently and effectively to its overarching goal of poverty reduction.

V. Conclusion

Mr. Chairman, Governors, ladies and gentlemen, in conclusion I would like to tell you about my recent experience in the Philippines. On Saturday, the 28th of April, ADB invited 500 street children of Metro Manila to its Headquarters for an art competition under the theme “The Streets of My City.” These young “street artists” were registered through local NGOs working with street children. Over 200 ADB staff and their spouses, along with members of the Board of Directors and the concerned NGOs, volunteered to assist with the program.

All of the children worked hard on their drawings and pictures, and they produced so many masterpieces. You may have already seen some of them on display here at the Convention Center. Some depict sad realities, some tell us of their dreams. Others express aspirations and a determination to move from a grim present towards a brighter future. I was moved not only by the richness of the children’s artistic talents, but even more by the seriousness of their pursuit of a future built on their hopes and dreams. To me, their drawings and pictures eloquently express their aspirations, and looking into the children’s shining eyes, I felt in my heart that it is our responsibility, indeed our duty, to make the region a better place for all children – for all people – of Asia and the Pacific.

Ladies and gentlemen, at the dawn of the new century our Long-Term Strategic Framework provides the all-important road map for translating our vision into action and achieving the International Development Goal of halving poverty by 2015. Poverty is multidimensional, and the three pillars of our Poverty Reduction Strategy – pro-poor, sustainable economic growth; social development; and good governance – are all essential elements of the solution. With the wholehearted support of all our member countries, our Board of Directors, and our dedicated staff, and in close cooperation with all our development partners, ADB is firmly committed to an Asia and Pacific region free of poverty. It is not an easy road to follow, but by working together we can fulfill a promise to our children – and to their children too – of an Asia and Pacific region where all can live with dignity and hope.

Thank you.