

AUSTRALIA
MARTIN PARKINSON, Head of Delegation

May I first express my appreciation to the Government of the United States (US) and the State of Hawaii for their warm hospitality in hosting this 34th Annual Meeting of the Asian Development Bank (ADB).

Australia would like to welcome Turkmenistan as ADB's 59th member. And we thank Peter Sullivan for his work as Vice-President (East) and welcome the appointment of Joseph Eichenberger to this position. We would also like to acknowledge the forwardlooking leadership of President Chino.

The capacity of ADB to fulfil its mandate of poverty reduction is influenced by economic developments in the region and the quality of economic policies.

The immediate outlook for world economic activity, and for Asia, has been revised downward significantly for 2001, although a pick up is expected in 2002. The US economy has slowed sharply, growth in Japan remains very subdued, and growth in many other countries in East Asia is expected to slow significantly this year. At this stage, the extent and duration of the slowdown is uncertain.

In the current situation, a key question for policy makers is what actions need to be taken. Countries that have successfully implemented sound macroeconomic frameworks and structural reforms now find they have policy flexibility to respond to the slowdown, and that their economies more readily adapt to changing circumstances as well. The challenge will be to maintain these sound policies during this period of slower growth.

The slowdown in activity may also highlight unresolved issues in some countries, particularly structural problems in the financial and corporate sectors. While the weaker economic outlook may make it more difficult, these issues need to be addressed to ensure a return to higher and noninflationary rates of growth. Moves to delay reforms or to increase protection would be counter-productive to longer-term growth prospects.

Overall, the improved macroeconomic fundamentals in Asia, since the 1997-1998 crisis, along with more flexible exchange rates and the other reforms, have made economies more resilient and provide a strong foundation for growth and prosperity. Within the current economic environment, it becomes even more important that ADB's financial position is strong. The current review of ADB's resources is aimed at ensuring that ADB is well equipped to assist poverty reduction in the region.

The first step in the process is defining ADB's role and priorities. The new longterm strategic framework sets out how ADB will assist in the realization of the International Development Goals and reaffirms its poverty reduction mandate. An important component of the framework is the need for ADB to coordinate with, and complement, the activities of other international financial institutions and donors. We

look forward to the medium-term strategic framework, which will outline the concrete steps that ADB will take to achieve its long-term vision.

ADB's review of its resource position requires assessment of its banking policies and practices. Prudent banking policies need to remain a focus to enable further consolidation of ADB's financial position and thereby ensure its long-term viability. We are encouraged by ADB's improvements in this regard, however, ADB needs to fully assess its financial policies, including the appropriateness of loan charges. Only then will ADB be in a position to assess whether a general capital increase is required.

Australia strongly supports the reform agenda agreed as part of the seventh replenishment of the Asian Development Fund (ADF), finalized in September last year. Central to the replenishment was the concept that good governance in ADB's countries of operation is imperative for successful poverty reduction and development. This is reflected in the review of ADB's governance policy and in the new performance-based allocation of ADF resources - which gives strong weighting to governance performance in determining the level of resources that a country will receive.

We encourage ADB to continue to work with its developing member countries and other donors to assist national authorities with the challenge of improving governance.

The ADF replenishment also included measures to improve ADB's own internal governance. In particular, we welcome ADB's decision to strengthen its Inspection Function and the appointment of our Director as chair of the Board Inspection Committee, which has an important role in ensuring that any inspection is effectively and transparently pursued. Australia also supports the formation of the Development Effectiveness Committee. Further improvements to ADB's transparency, accountability, and effectiveness, including strengthening the strategic and oversight role of the Board of Directors, would be welcome. Australia looks forward to the implementation of the ADF reforms in the lead up to the ADF Mid-Term Review in 2003.

We support ADB's continued commitment to the Pacific, including the separate allocation to ADB's developing Pacific island members as part of the ADF replenishment and the adoption of the new Pacific strategy.

Australia recognizes and supports ADB's efforts over the past few years, in transforming itself into a broad-based development institution. The adoption of the Poverty Reduction Strategy and corresponding new policies, for example on governance and private sector development, has been a significant achievement. The key challenge now for ADB is to ensure that these reforms are fully implemented and reflected in all of its operations. Implementation will be vital to maintain support from shareholders and to address the concerns of local communities and nongovernment organizations.

The year ahead will be a challenging one. The slowing global economy and its consequences for the region suggest a more demanding operating environment for

ADB. ADB will also need to make good progress in implementing its own reform agenda and improving its transparency, accountability, and effectiveness. Australia will continue to provide support and work with ADB as it strives to meet these challenges and to achieve its vision of an Asia and Pacific region free of poverty.