

**AUSTRALIA****MARK VAILE, Head of Delegation**

I would like to join in thanking the Government of Turkey for hosting this 38th Annual Meeting of the Asian Development Bank (ADB). I would also like to congratulate Mr. Kuroda on his election as President of the Bank and thank former President Chino for the wide ranging reform agenda he has championed in recent years.

This region was hit by the devastating tsunami on 26th of December last year. The loss of life was terrible. In many of the affected areas poverty exacerbated the death and destruction of the tsunami. This underscores the urgency of the mission of the ADB to reduce poverty in the region.

It is often remarked that over the last fifteen years the Asian region has made great progress in reducing poverty. East Asia has already achieved the first Millennium Development Goal (to halve poverty by 2015) and South Asia is forecast to also achieve the goal before 2015. However, it is important to remember the enormous diversity within the region and that some countries will not meet the goal.

This year is critical in the global fight against poverty. I have just come from the OECD Ministerial Council Meeting where we released a statement following up the UN Millennium and Monterrey Declarations. One thing that is clear is that aid, by itself, does not constitute a growth strategy.

If we are serious about addressing the challenge of global poverty then trade reform is critical. Australia is working hard to realize the Doha Development Agenda and give all countries – including developing countries – a better deal in trade. However, it is remarkable how hard it is to achieve outcomes that are clearly in the global community's best interests.

The main beneficiaries of Australia's unilateral trade liberalization over the last twenty years have been Australians. The benefits to Australia of past trade reform would be shared by other countries if they reduced their remaining trade restrictions. This makes us ask why do many developed countries still impose high barriers on agriculture and back them up with domestic subsidies? Why do many developing countries add to the damage that developed countries trade barriers do to them by imposing even higher barriers of their own to trade?

While aid and trade reform are important, they are not sufficient to achieve the Millennium Development Goals. The key is good governance based on sound institutions, careful macro-economic policies and an overall environment in which the private sector can flourish. This brings me to the specific role of the ADB.

Australia is a strong supporter of the ADB. President Kuroda and his Vice Presidents are a strong team. We applaud President Kuroda's early commitment to deliver the reforms spelt out last year, including in the context of the ADF IX Replenishment. By next Meeting we hope discernible progress has been made in sharpening the ADB's focus on development

effectiveness. This will not be easy: major changes in systems, management and work practices are required and they will need to be driven from the top.

The effective implementation of the new Human Resources Strategy is vital. It requires the ADB to manage people very differently and to put an unambiguous focus on achieving better results. We hope to see similar modernization of the ADB's priority setting, work planning and budgeting arrangements, so that resources will be redeployed quickly and flexibly as needs change.

Australia supports the Paris Declaration on aid effectiveness. We recognize that harmonization of donor assistance will be of significant benefit to many fragile states in the region. We are still a long way from achieving these benefits, and I encourage all countries to strive toward this harmonization at the earliest possible opportunity.

Good governance based on sound national institutions is vital for development. Where such preconditions are not present, a standard lending approach is unlikely to be effective in reducing poverty. We look for the early fulfillment of the ADB's promise to engage in an innovative fashion with vulnerable and fragile states. We also welcome the President's strong stance against corruption. All of the evidence shows that corruption is a development issue – it corrodes governance, imposes costs on the private sector and has a disproportionate impact on the poor.

We are encouraged by the renewed dynamism and energy of the Private Sector Operations of the Bank. But the ADB needs to act more holistically in facilitating private sector development. This can be done with a two pronged approach. The first is by embedding its operations within well-researched country strategies. Clearly specified operational objectives, supported by good performance indicators and evaluation practices, will be needed. The second prong is to ensure that the ADB's public and private sector experts work together more consistently.

The ADB can make a greater contribution to strengthening regional cooperation and financial integration. For this reason we welcome the new Office for Regional Economic Integration. The ADB could incorporate financial-sector strengthening into relevant country strategies, and use all of the tools at its disposal — public sector, private sector and treasury operations — to address obstacles to financial development.

The Asia Pacific region is dynamic and diverse, but major challenges remain. Everyone has an important role to play. Developing countries have the key responsibility for their own future in terms of the environment they create for development. Developed countries have responsibilities in terms of their trade, aid and financial policies. Multilateral agencies, such as the ADB, must continue their reform efforts so that their important work remains relevant and effective.