



SWITZERLAND

OSCAR KNAPP, Governor

I would like to extend my deepest thanks to the Government of the Republic of Turkey as well as the authorities and people of Istanbul for their warm welcome and excellent arrangements for these meetings in this historic and beautiful city.

As you undoubtedly know, our host country has a long and rich past acting as a crossroads of great civilizations. The sense of being at a crossroads ought to be pervasive at this meeting: Nearly five years since the adoption of the Millennium Declaration and with only ten years remaining to reach the MDGs, the momentum is growing to make 2005 a milestone year for the international development agenda. What's more, with the recent change at the helm of this institution, 2005 will be crucial in setting the future course of the ADB. Against this background, I find it fitting and indeed inspiring that Istanbul is the site for this year's Annual Meeting.

Ladies and gentlemen, the Asian-Pacific region is facing daunting challenges to achieve the MDGs. At first sight, this observation might seem peculiar: Over the past 15 years millions of people in the region have been lifted out of abject poverty, and this unparalleled success is projected to continue. Indeed, in 2004 the region achieved its best growth performance since the Asian financial crisis as aggregate GDP expanded by 7.3%, and for the period 2005-2007 average GDP growth is expected to remain robust at between 6.5% and 6.9%. On current trends, the region as a whole is likely to halve absolute poverty by 2015. However, this remarkable performance in the aggregate masks important disparities: A number of countries have had far less impressive growth rates and are thus at risk of failing to achieve the poverty related MDG, and within various countries the distribution of income and wealth has become increasingly unequal. Moreover, most countries of the region are off track to achieve the human development related MDGs, in particular in the areas of health and education. Finally, it should not be forgotten that Asia is still home to over 700 million poor people.

Thus, the countries of the region must scale up their efforts with respect to necessary structural and institutional reforms and investments in physical and human capital. However, the region is still in need of well targeted external assistance to help accelerate progress towards the MDGs. As the region's premier development partner, the ADB must assume a leading role in this respect. Mr. President, it is against this background that I would like to congratulate you for your unanimous election as the eighth President of the ADB. The roadmap you laid out in your inauguration speech and the promising steps you have taken so far augur well for the future. A major challenge for you will be to sustain the visionary drive and leadership required to follow through with the far-reaching and ambitious reform agenda, while constantly adapting the institution to the diverse and evolving needs of its borrowing member countries. In meeting this difficult challenge, I would like to assure you of my country's full support.

I would now like to briefly comment on your vision and plans for the ADB and on the road ahead. Given that the Asian-Pacific region is a disaster prone region facing innumerable threats ranging from natural disasters to civil strife and public health threats such as HIV/AIDS, SARS or avian flu, it is crucial that the Bank dispose over the capacity to respond to the region's needs in a flexible and timely manner. This will certainly require ongoing

efforts by the Bank, notably a further decentralization of authority from ADB headquarters to resident missions. On the other hand, I was impressed by the ADB's swift and unbureaucratic response to the tsunami disaster. This commendable initiative has sent a strong signal that Bank management is committed to reinforcing the ADB's responsiveness.

The mid- to long-term rehabilitation and reconstruction efforts in the tsunami affected countries represent an important challenge for the Bank. It is of utmost importance that these efforts are coordinated with the activities of other bilateral and multinational partners and closely aligned with the aspirations and perceptions of the affected communities. Moreover, despite the need for flexibility, it is crucial for the Bank to find ways to guarantee a judicious, transparent and equitable use of resources and to avoid that funds are misappropriated.

This brings me to an insight that is now widely acknowledged, but due to its significance deserves to be repeatedly called to mind, namely that even the best designed development intervention will fail unless countries strengthen governance systems and tackle the cancer of corruption. Building upon the foundation of mutual trust it has established with its borrowing member countries, the ADB must scale up its efforts aimed at helping its clients to follow through with politically sensitive reforms, build healthy institutions and combat corruption. In addition, I would like to call upon the Bank to display more sensitivity regarding the political environment of its DMCs. In this respect I look forward to reviewing the implementation of the Bank's governance and anticorruption policies.

I strongly welcome plans to boost the Bank's role as a promoter of regional cooperation and integration. Not only the various natural and health threats referred to above, but also the region's growing economic weight and interdependence with the global economy highlight the need for stronger regional cooperation. With respect to regional trade integration, I would like to point out that while the conclusion of bilateral or regional trade agreements is in principle beneficial, it would be a mistake to allow the growing momentum for such arrangements to take precedence over multilateral trade liberalization. Against this background, in the upcoming months it is crucial that developed and developing countries alike overcome domestic constraints and aim for an ambitious and timely outcome to the Doha Round.

It is widely agreed that the ADB must further strengthen its role as a catalyst for the private sector. The past year has demonstrated that the ADB is determined to do so by expanding its private sector operations, not least through the proactive use of equity investments. In principle I support the Bank's recent drive to increase its lending volumes for private sector operations. However, this expansion needs to be accompanied by a substantial strengthening of the Bank's financial risk management system. In addition, more effort should be devoted towards demonstrating that the Bank's private sector operations have a measurable impact on poverty reduction. Apart from increasing lending volumes for private sector operations, the Bank also needs to step up its efforts to help improve the investment climate and business environment of the region. This also requires an improved communication and collaboration between PSOD and the public sector departments within ADB. Finally, it is important that the Bank implement all its private sector activities in a coherent fashion. Given the evolving nature of the Bank's support in this dynamic sector, I would like to encourage the Bank to develop a new private sector development strategy as soon as possible.

It is also long overdue that the ADB clarify its approach towards the middle-income countries (MICs), home to most of the region's poor and the Bank's principal client-base for its OCR operations. With a view to ongoing complaints about the high costs of doing business with the Bank, the ADB must introduce simpler and more flexible procedures to meet their changing and diverse needs. In this context the ADB should consider to liberalize expenditure eligibility categories for investment lending and to rely more heavily on country

systems. Furthermore, the ADB must keep in mind that it should not compete on the grounds of its price, but rather because it is seen as an attractive development partner that can provide value-added through its regional and sectoral expertise. As such there is certainly a growing need for the ADB to further develop its analytical capacity for the MICs. Without substantial progress in this area, the Bank risks undermining its relevance for OCR-borrowers.

I welcome that the ADB has firmly committed itself to the Paris Declaration adopted at the recent High Level Meeting on Harmonization and Alignment. Harmonized procedures and operational policies and an improved division of labour between the multilateral organisations as well as bilateral donors is essential to generate larger development impacts and to reduce transaction costs. In the spirit of the Monterrey consensus and the Paris Declaration, ADB must better align its CSPs to country owned development strategies and PRSPs.

Last but not least, I would like to underline my expectation that Management keep up the momentum in implementing the internal reform agenda, in particular with respect to Management for Development Results (MfDR). We welcome the progress achieved so far, notably the ongoing efforts to make the MDGs an integral and monitorable part of country programming and the elaboration of the first results-based CSPs. I would also like to commend the Bank for developing and adopting the new Human Resources (HR) Strategy. However, efforts need to be sustained to enhance the effectiveness and efficiency of this institution. Of particular importance is the effective and timely implementation of the new HR Strategy. In this context, the reappointment or selection of new Vice Presidents in the months ahead will serve as a first litmus test in determining to which extent the principles of transparency and accountability in an open process are respected in this institution.

To conclude, I am confident that under the new leadership of President Kuroda and with the ongoing dedication and competence of the Bank's Management and staff, the ADB is well equipped to face the challenges ahead. Switzerland looks forward to continuing to work with the ADB in defining its future role in support of the objective for which we are all striving – an Asia-Pacific region free of poverty.