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I would like to start by expressing my heartfelt thanks to our hosts—India, the State of Andhra Pradesh, and the city of Hyderabad. I would also like to thank President Kuroda, his team, and everybody at the Asian Development Bank (ADB) who helped organize this year's Annual Meeting and to make it a success.

Germany has been a member of ADB for almost 40 years. I would therefore like to use this opportunity to take a brief look at ADB's successful work over these past four decades. ADB has become one of the most important institutions for the financing of development worldwide. Its activities in the region are just as significant as those of the World Bank. Moreover, ADB has built bridges of confidence-based cooperation between the region and America and Europe, including Germany.

In the course of these four decades, ADB has become a cornerstone of development in the region, especially in the area of infrastructure. More recently, ADB has also proven to be a quick and flexible helper in times of great crises such as the tsunami, the South Asia earthquake, and Asian influenza.

However, the world and the region have changed greatly since ADB was founded. ADB is thus faced with a number of significant challenges:

One of the central challenges is also ADB's highest goal: the reduction of poverty in the region. Of course, we are witnessing very swift development, especially in a number of emerging economies. Nevertheless, about 600 million people in Asia are still living in poverty. ADB's financial figures show that its resources would be sufficient for it to do more to reduce the high number of poor people in the region. There are also fears that ADB might turn away from poverty reduction as its main goal. ADB must respond to these concerns.

It must ask itself, even more explicitly than in the past: what can ADB do to make poverty reduction even more effective? What can it do, in particular, to help achieve those Millennium Development Goals that are not income-related? More targeted measures are needed, measures with a clear poverty focus—because it cannot be expected that the promotion of growth alone will automatically result in poverty reduction. ADB should regard itself as an advocate and catalyst of pro-poor growth and social inclusion, especially in middle-income countries. ADB must also make greater efforts to assist those members who are making little progress, even with regard to halving income-poverty. For example, traditional financing programs for large infrastructure projects are not enough on their own to achieve poverty reduction. What is needed above all is a focus on target groups. This must be complemented by relevant accompanying measures and sector policies.



Another central challenge is how to make development sustainable. Over the past few years, we have witnessed a dramatic increase in environmental degradation, the cutting down of tropical rainforest, and the overall decline of biodiversity in the region. It is always the poor who suffer most from environmental degradation.

When it comes to environmentally and socially compatible development, one sticking point is the high demand for energy in the swiftly developing Asian economies. The increased use of renewable energy sources and the enhancement of energy efficiency are not only desirable—they are indispensable for limiting the negative consequences of global climate change and for reducing countries' dependency on external energy sources.

Germany therefore strongly supports ADB's new carbon market initiative. This is a very important step toward expanding ADB's activities in the areas of renewable energy and energy efficiency. So far, ADB's work in this sector has mainly focused on technical assistance to help create the right environment. Relevant lending operations, which have been insufficient so far, should be expanded through sector and project financing.

The two challenges I have mentioned both point to the third central question. In a way, this third question is an overarching issue: what is the vision of ADB for its own role in the near future and in the long term? To answer that question, we need a clear decision on ADB's course. We feel that such a decision is still missing in the new strategic documents, especially in medium-term strategy II. Among other things, the question concerns ADB's relationship with other multilateral donors. It also concerns the form of ADB's future cooperation with middle-income countries, given high levels of liquidity and a commercial banking sector that is becoming stronger all the time. It concerns the role of the less developed and fragile states. It concerns the distribution of resources to as many borrowing members as possible. And it concerns the sectoral distribution of resources, which should give greater attention to the social sectors—not least because borrowing members' demand for classic investment projects has been decreasing. We all—the Governors and Executive Directors of all shareholders and ADB's management—must discuss these central questions in a more transparent, more participatory process, and we must find a consensus which everybody can support. My wish would be that greater account be taken of these concerns in important strategic debates at ADB, for example in the debate on medium-term strategy II.

One of the most prominent political figures of our host country, Mahatma Gandhi, once said, "Be the change you want to see in the world!" In this spirit, we would like to encourage ADB: "Be the change you want to see in the region!"