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PACIFIC DEVELOPING MEMBER COUNTRIES

Nabuti Mwemwenikarawa, Governor for Kiribati

(on behalf of Cook Islands, Fiji Islands, Republic of the Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Democratic Republic of Timor-Leste, Tonga, Tuvalu, Vanuatu)

On behalf of the Governors of the Pacific Developing Member Countries (PDMCs), I would like to welcome Armenia and Brunei Darussalam as the newest members of ADB, and also thank our hosts, the governments and the peoples of India and of Andhra Pradesh for their hospitality, and for making the arrangements for this meeting. No doubt our hosts wanted to challenge our thinking by introducing us to a city that is both ancient and modern. That was an inspired choice, as ADB's success requires it to be able to respond to the old and the new, the large and the small, and both weak and strong performers. In short, ADB must be able to operate across the spectrum of its members' development experiences.

There are three main points that Pacific developing member countries want to communicate to ADB and its Governors, as ADB considers its longer term future strategic directions. We believe that ADB should, first, continue to strengthen its recognition of our diverse cultures, circumstances and needs; second, extend the innovative thinking that has led to new approaches and instruments for big borrowing members, to develop new tools and approaches that meet Pacific needs and those of other small and distinct states; and, third, support us in deepening and broadening regional cooperation and integration as prioritized by the Pacific region.

Recognizing and Responding to Diversity

Pacific island nations are mostly small in land area and in population—indeed to some we are barely visible, but, like more populous members of ADB, our people also need clean water, transport facilities and employment opportunities. We have common problems of scale, isolation from markets, narrowly-based economies and vulnerability, but we vary distinctly in culture, ethnicity, economic structure and development performance. We look to ADB as an important and neutral international institution to understand, represent and respond to this diversity. We rely on the skills and knowledge of a Pacific Department, resourced not on the basis of our limited borrowing, but on the basis of our development needs.

As ADB pursues further reforms, the key test we apply is how the measures meet our needs. We can see, for example, how many of the ideas in the second medium-term strategic framework assist larger countries, but we have struggled at times to see how the strategy will produce better development outcomes in the Pacific. Institutionally, greater sectoral



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selectivity and focus may make sense, but as one of the few large international partners operating in the Pacific, ADB must be able to help us respond to a wide range of pressing development challenges. Differentiation between member countries is required to meet their needs efficiently and effectively. We believe ADB may need to think further about how this can best be achieved. In other words, we would like to see the strategy go beyond equality of treatment to equality of outcomes.

In becoming more focused, ADB should not implicitly or explicitly rely on other institutions or bilateral partners to meet the region's needs, or see itself as a minor player in the Pacific. Indeed we hope that ADB will strengthen its partnerships with us to deliver on the President's commitment to "relevance, responsiveness and results". The Bank's relationship with PDMCs needs to be tailor-made to our individual circumstances, and where new approaches are provided, proper consultations should be undertaken. Consequently, we have been concerned about the proposal to abolish country strategy and program updates (CSPUs), as 12 of our 14 members are not covered by country-specific strategies. Without CSPUs, our relationships with the ADB would be expressed solely in the regional country strategy and program.

Good as this regional strategy is, it does not represent an adequate basis for relating to us as separate nations. We encourage ADB to be flexible and creative in allowing different country strategy and program formats to fit different circumstances, especially those of the Pacific. We would also encourage the Bank to consider appropriate mitigating measures in the case of loan failures, particularly, where responsibility for such failures does not rest on the borrowing member country. In addition, we also feel special care should be taken in the application of country performance assessments (CPA) to small and more vulnerable PDMCs.

Extending New Approaches and Instruments

PDMCs have been impressed by the creative energy embodied in the development of new tools and approaches that respond to middle-income country needs under the innovation and efficiency initiative (IEI). The piloting of subsovereign lending, the multitranche financing facility, and local currency lending will allow ADB to play a larger role in development finance in many member countries. Our message to you is don't stop there. Let us think about an innovation and efficiency initiative for the Pacific and for other countries that do not fit the existing model. One of the most important elements of such an initiative would be to develop new non-lending instruments.

Many Pacific states are vulnerable to environmental and economic shocks—some are fragile and conflict-prone, while most struggle to achieve high levels of sustainable growth. Loans are not always the answer to our problems. We applaud the introduction of Asian Development Fund (ADF) grants and their use in the Pacific for recent activities such as HIV/AIDS prevention. Our needs for technical assistance, policy advice and capacity development are significant. We note that technical assistance (TA) resources remain under considerable pressure and we ask that Governors give priority to additional resources for this purpose. Furthermore, we see the need for ADB to consider an incremental approach in allocating funds for grant assistance according to degree of urgency for any country in the region, in relation to common areas of concern such as HIV/AIDS, disaster management, and risk mitigation.

We look to ADB to develop new and better ways of TA financing and delivery modalities. Planning horizons and project durations need to be longer. Consultants must be genuine experts—in their subject areas, in the region, and in developing productive relationships. They must be engaged on longer-term assignments, tasked specifically with transferring

skills and building capacity, with their success measured against these objectives. We would also encourage the Bank to allow PDMCs to have more say in the selection of consultants, including the use of consultants from the region. We await, with considerable interest, ADB's capacity building taskforce report and we look forward to the application of this work in the Pacific. We commend ADB's initial efforts to make its TA more focused, but we urge the Bank to go beyond setting limits on the number and size of TA projects to adopt a much more strategic and flexible approach to the use of TA resources. We are somewhat concerned by the move to shift the balance of TA strongly in favor of loan project preparation. We ask the Bank to ensure that managers have discretion in the implementation of this policy as its introduction in the Pacific could be detrimental to our needs.

We have watched the Bank struggle with how best to facilitate private sector development. We believe there is still a long way to go in this regard, though we recognize the good diagnostic work that has been done for the Pacific. We would also encourage the Bank to carry out more in-depth analysis of the issues distinctly relevant to each country in the PDMC group. As the Bank continues to think through the issues, we hope it will give thought to how it can use its resources and risk-bearing capacity to draw more private capital into regions such as ours which do not currently benefit greatly from it, especially for the development of areas where we have comparative advantage, such as tourism. We acknowledge that many PDMCs also need to continue working to improve their enabling environments for private sector development and we commit to doing so.

Achieving the Right Balance in Regional Cooperation and Integration

We note the President's emphasis in his opening statement on regional cooperation and integration, particularly, in East Asia. We agree that such cooperation can play a significant role in complementing national efforts. In October 2005, the Pacific leaders endorsed the Pacific plan, which provides a framework for exploring future models for regionalism. However, our leaders also recognized that national priorities and policies will remain the bedrock for sustainable development in the region. We are hopeful that, if this approach is pursued, in measured and carefully defined ways, ADB can increase the attention it gives to regional cooperation efforts, while also enhancing country-specific efforts.

We would remind Governors and the Bank that, beyond national and regional efforts, we must also take global action to deliver targeted development outcomes. Key among these for Pacific states, is addressing climate change much more aggressively. Several of our member states may cease to exist without deeper more comprehensive action, particularly, on the part of larger and wealthier countries. We commend the President's designation of Mr. Lohani as his Special Adviser on Climate Change, and the renewed vigor with which ADB is advancing a clean energy agenda, including through its work on the carbon market.

We exhort governors to move rapidly to finalize the Doha development round of international trade negotiations. While we do not think the Bank can add substantial value in this area directly, given the expertise and experience of others, we do appreciate it using its voice and influence to this end as it has done recently in the *Asian Development Outlook*. At the country and subregional level, the Bank can also help build the infrastructure and systems to allow states to benefit from freer international trade and to manage its negative consequences. Better transport and communications infrastructure is a key component of many Pacific development strategies, but we also need much greater access to markets in developed countries—particularly for products such as tropical fruits—if we are to achieve sustainable development.

We ask Governors to refrain from using unnecessarily stringent quarantine provisions as protective measures that prevent our development. We also ask you to look again at liberalizing, not only in the areas that most suit you—including services and investment—but also those that are essential to us, such as labor markets. It is untenable in the longer term to have a system of globally mobile capital and enterprise, but to keep the movement of labor as highly restricted as it is today. In this regard, we believe that within ADB's medium-term strategic framework and available facilities, there are opportunities for ADB to consider support for required adjustments in PDMCs that emanate from trade liberalization. Of particular concern is the need to address supply side constraints where market access opportunities have been identified.

To conclude the PDMCs have a special message to President Kuroda. Mr. President, you have traveled far and wide in your first 12 months and no doubt you will not wish, nor be able, to sustain this in future, especially given the substantial change agenda to be driven at headquarters. That said, we would observe that almost a quarter of the membership of the Bank—the 14 PDMCs—are yet to receive a visit from you. We reiterate our invitation to you to experience directly the development challenges that we confront and to partake of our legendary hospitality. We hope there will be an opportunity to receive you in the not too distant future.