



39TH ANNUAL MEETING BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

Hyderabad, India

4–6 May 2006

GS-9

PHILIPPINES

Margarito B. Teves, Governor

On behalf of the Philippine Government and delegation, allow me first to express our appreciation to the Government of India and its people for their splendid reception of the delegates and guests here in Hyderabad. The 39th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) in Hyderabad takes place at a time of great optimism about India. With its remarkable growth and progress in instituting economic reforms, India is now well positioned to bring long-term prosperity and improved welfare for its hard-working and talented people.

Let me extend a warm welcome to Armenia and Brunei Darussalam as new members of ADB.

While the region's economic outlook remains favorable, significant risks brought about by global imbalances pose threats to positive global prospects. It is imperative that the global economic community take concrete steps to address these risks, which have the potential to cause abrupt and disorderly adjustments in international trade and the financial markets. Such a discordant unwinding of global imbalances could arrest, or even reverse, the solid progress many countries have painstakingly achieved in increasing incomes and productivity, and uplifting living conditions of their poor.

Many economies in the Asian region are already doing their share to help pave the way for a smooth resolution of global imbalances. These countries continue to stimulate domestic demand while instituting further reforms, particularly in their fiscal, external and capital sectors. In an increasingly borderless world, where the effects of adverse external shocks can be rapid, the continued economic resilience of countries and vigilance by economic managers are critical to mitigate the negative impact such risks may have on growth and people's welfare.

The threats posed by global imbalances also highlight the importance of regional economic cooperation and integration to strengthen policy coordination among countries, deepen the region's financial markets and network, and set up financing arrangements to assist affected economies in facing foreign exchange liquidity problems.

ADB plays a significant role in providing policy advice and special knowledge to members in efforts to reinforce their economies against external shocks emanating from global imbalances through, among others, the formation of regional economic partnerships and financial links among member countries. We urge ADB to continue to provide technical expertise and services to prepare member countries and the region as a whole to effectively address the serious threats that now hover over the horizon of the global economy.



ADB

The Chair earlier noted a new orientation being pursued by this great country to “look east”. This would undoubtedly open up new and vast opportunities for the whole of Asia and its members. It is high time for us to vigorously explore closer and greater economic relations between and among countries in the two major economic subregions of Asia. We commend the Chair for this initiative.

While economic growth in recent years has been remarkable for most of Asia, sustaining this performance by many developing member countries (DMCs) will be constrained by lack of or deteriorating infrastructure. Failure to meet the medium-term infrastructure requirements of these economies will decelerate or even arrest the growth momentum that has been essential to improving incomes and living conditions, and reducing poverty in the region. Major actions are called for to ensure that impediments to infrastructure development are squarely overcome.

DMCs such as the Philippines have to be steadfast in their fiscal consolidation program to create the “fiscal space” to expand expenditures for infrastructure and reduce the debt load to encourage capital inflows and long-term investment. Direct budgetary expenditures by the Government, however, will not be enough to generate the infrastructure investment requirement of many DMCs. Thus, improving the regulatory environment, including the setting up of political and regulatory risk-mitigating measures in economic infrastructure sectors is needed to attract private capital to infrastructure projects, including those under public-private partnerships.

The Philippines appreciates ADB’s contribution to the task of mobilizing resources for infrastructure of DMCs, and we encourage it to step up its assistance in this regard. ADB’s provision of credit and credit enhancement for projects has not only generated funds for DMCs to pursue their infrastructure priorities but, in many cases, has catalyzed financing from other investors, particularly from the private sector. ADB has also been useful in providing policy advice to improve the investment environment in DMCs. We welcome the Bank’s evolution into a knowledge bank, a repository of best practices and successful experiences in these specialized areas, which will enhance policy and regulatory formulation in DMCs.

Given the growing requirements of DMCs for long-term capital to fund infrastructure development, ADB’s more vigorous assistance for the development and integration of the financial sector and capital markets of the region’s economies will be relevant in responding to their emerging needs under a globalized economy.

While new global and development realities have called on ADB to expand coverage of its development work, the primary mandate of the Bank in the fight against poverty should not be forgotten. While the Bank has accomplished much in helping developing member countries in the battle to eradicate poverty, the task ahead remains daunting. ADB must continue broadening its skills, providing its services more efficiently and effectively and actively engaging member countries in this most challenging development crusade.

While the growth performance in the region has lifted hundreds of millions from poverty, hundreds of millions more remain impoverished and live under inhuman conditions. This is not acceptable and we need to muster all our resources toward the achievement of ADB’s ultimate goal. The benefits of strong economic performance must be pervasive and inclusive. They should uplift the lives of the widest segment of the impoverished population and narrow the gap in income and living conditions between the rich and the poor. The approaches, strategies, programs, and practices in pursuit of this mission for ADB continue to evolve, but only because we need to be responsive to emerging realities and more effective in our struggle to eradicate poverty in Asia.

We have reviewed the ADB's second medium term strategy and find it relevant to the role demanded of ADB in these challenging times. We support the proposed strategy.

In closing, I would like to reiterate the Philippines' commitment to pursue responsible reforms to strengthen our capacity to sustain economic growth and accomplish our development priorities. We are committed to meet the Millennium Development Goals (MDGs) by 2015 and will continue instituting responsible reforms that will strengthen our war chest against poverty. By steadfastly pursuing our reform program, we hope to create a virtuous cycle of fiscal responsibility, more MDG investments, and broad-based growth.