

## AUSTRIA

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I feel very honored to address this Annual Meeting of the Asian Development Bank (ADB) on behalf of Austria. Let me join previous speakers by thanking the Government of Spain for its excellent organization of this meeting and the hospitable and warm welcome we have received in Madrid.

### **Current Economic Development, Poverty and Inequality**

We are facing challenging times. The overall macroeconomic conditions in Asia are still favorable and the region as a whole is still showing high growth rates. Overall, recent fast economic development has contributed to falling levels of poverty in many countries. Thus, Asia is well placed to achieve the Millennium Development Goals (MDGs) by 2015.

However, Asia, as any other region, is not immune to shocks. Strong signals of changing market conditions have to be watched carefully. The financial market crisis, inflationary pressure from rising oil prices and the current surge of food prices may put at risk development targets already achieved. From the current food crisis, we have learned how sensitive development outcomes are and that food security, which is currently under threat, is crucial for stable social and economic development.

As people living on the margin of poverty are vulnerable and most affected by rising prices, poverty is likely to increase. In such a case, ADB will have an active role to play in countering this trend. We therefore call on ADB to investigate possible measures to mitigate the negative effects of the food crisis and to consider additional partnerships with specialized agencies to address the problem effectively.

### **Reforms, New Orientation of ADB, Long-Term Strategic Framework**

In order to meet the future needs of the region and to be more effective and client-oriented, ADB recently approved the long-term strategic framework 2008–2020 (Strategy 2020). For many of us, 2020 appears to be too far away to give clear predictions of what Asia will look like and what the exact needs will be at that time. Given this uncertainty, we would like ADB to remain flexible and capable of responding quickly and effectively to changing circumstances.

We welcome the selection of the five focus areas within Strategy 2020, as it is important for ADB to concentrate on its strengths. In view of the current market developments, we believe that the following two points are of particular importance for the future orientation of ADB. First, an overall cautious approach on financial issues is essential. This includes lending policies and capital adequacy considerations alike. Second, we definitely welcome the proposal that 20% of

the total allocation within Strategy 2020 is not attributed to any of the core sectors. We consider this crucial if ADB is to remain flexible and to respond to changing needs of the borrowing countries over time.

One of the core sectors of ADB's activities defined by Strategy 2020 will continue to be infrastructure. We support this choice as infrastructure is key driver for economic growth. However, infrastructure does not automatically promote sustainable and inclusive development. ADB should target those infrastructure investments that show constant and clear benefits for the poor.

The new strategic orientation of ADB clearly goes hand in hand with an expansion of private sector activities. If it is to explore new fields of operations, it will be important for ADB to stay relevant and to meet its clients' needs. We support this development. Nevertheless, it is of utmost importance to call for prudence, as with the expansion of private sector operations ADB's exposure to financial risk will certainly increase.

Furthermore, the expansion of private sector activities in ADB's portfolio should be managed with distinct prerequisites in mind: above all, the proper functioning of the private sector depends on national regulations and good governance within the public sector. Therefore, capacity and institution building programs have to remain an area on which ADB concentrates and expands its activities. Moreover, we encourage ADB to pay more attention to the potential for synergies between public and private sector operations such as public-private partnerships.

We would like to inform you that only last month the Development Bank of Austria started operating with the objective of furthering private sector activities. This new instrument of Austrian development cooperation aims to promote private sector activities with a clear development impact. The Development Bank of Austria is looking forward to partnering effectively with the ADB.

### **New Initiatives: Climate Change and the Water Sector**

Closely linked to economic growth and the provision of infrastructure is the supply of energy. Asia's demand for energy is expected to increase at a much faster rate than we currently observe. This will present a big challenge for the region and ADB to find answers to the increasing demand for energy in a timely and sustainable way. To meet supply needs, ADB will have to be at the forefront in the use of clean energy. In particular, ADB has to promote new technology which is not yet financed by the private sector and which will have a demonstration effect for similar investments. In summary, we urge ADB to follow a low-carbon growth policy with increased emphasis on renewable energy and energy efficiency. In this context, we particularly welcome ADB's Clean Energy and Environment Program.

As the supply of energy will be so important for the region, we consider ADB's new energy policy to be crucial and we hope it will be finalized in the course of 2008. The new energy policy will have to address important issues such as energy security, energy efficiency, and clean energy, but will also have to take into account implications of climate change and global warming. As this, again, is an important area, in which we believe that ADB has a clear comparative advantage, we expect the finalized energy policy to reflect that.

A good example of "infrastructure for the poor" is the provision of clean water and sanitation services. Rapid population growth and the expansion of urban dwellings require substantial investment in urban areas in the future, which often cannot be met by local authorities. Without

doubt the provision of clean water is essential for meeting basic needs and to increase the living standard of the poor substantially. We particularly welcome ADB's Water Financing Program and we strongly encourage ADB to increase its lending volume in this sector. To show strong commitment, we are pleased to announce that Austria has just joined ADB's multidonor Water Fund with a contribution of US\$5 million. As we see the urgent need for more financial resources in this area, we also would like to invite other donors to follow our example.

We have just finalized the ninth replenishment of the Asian Development Fund (ADF X), with the highest volume ever of financial resources available to the poorest countries in the region. We particularly welcome the high internal resource transfer to the ADF. This is an important sign of solidarity within the region and regional ownership. This coincides with the mandate of a regional development bank and we emphatically support this vision of ADB: above all, ADB must remain a development bank for the region of Asia. To show our commitment and the trust we have in Management, Austria also increased its burden share in the fund.

Evidently, the development effectiveness of total ADB operations is of utmost importance to us donors. Our future contributions to the ADF, to Special Funds and to ADB will be guided by this principle. We thus welcome the development effectiveness review and the commitment to a results framework for the ADB. This is a milestone for ADB in our view.

To conclude, let me reiterate the words from the beginning of my speech: "We are facing challenging times." ADB must play an active role to rise to these challenges. Internal reforms, a clear vision and the President's guidance will be necessary for a focused and effective bank in the future. You can count on our full support in this process. Finally, let me also thank President Kuroda, the staff of the ADB as well as our Executive Directors for the very professional work of last year.