

## ITALY

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I join other speakers in thanking the Government of Spain and the city of Madrid for their generous hospitality in this beautiful city and very impressive conference center.

Asia grew at almost 9% in 2007, by far the fastest growing region in the world. In spite of a number of challenges at the global level, this year's growth is estimated at a still robust 7.6%. This outstanding performance provides a golden opportunity to tackle the important economic challenges ahead.

Poverty is probably the most important one. The food price surge, which is of great concern to us all at present, adds to the challenge. We are convinced that the vision of the Asian Development Bank (ADB) of an Asia and Pacific region free of poverty is within reach. With the new long-term strategic framework (Strategy 2020) and a replenished Asian Development Fund, ADB is now ready to fulfill this mission. Italy strongly supports the three complementary strategic agendas outlined in Strategy 2020. I will say a few words on each of them.

### **Inclusive Growth**

Addressing inclusiveness requires increasing the impact of economic growth on poverty reduction, hence contributing to achieving the Millennium Development Goals (MDGs). However, it is not yet fully clear to us whether, or how, introducing inclusive growth in ADB's agenda implies a change from what ADB is already doing. To make this strategic agenda more concrete, some yardstick of accountability for advancing inclusiveness should be devised, by introducing measurable performance indicators.

### **Environmentally Sustainable Growth**

ADB has a special obligation to help move Asia and the Pacific to a more sustainable path, through a mix of mitigation and adaptation policies. We acknowledge ADB's good work on climate change; however, investment in renewable resources and in energy efficiency is still a fraction of ADB's total energy sector lending. If we take ADB's portfolio in its entirety, the picture looks no better. We encourage ADB to introduce measurement, reporting, and analysis of greenhouse gas emissions resulting from all investments and to introduce shadow carbon pricing in investment decisions, particularly for projects with large emissions. We also urge ADB to increase its political, technical, and financial support toward renewable energy and energy efficiency.

### **Regional Cooperation and Integration**

We encourage ADB to adopt a more systematic approach and to promote a broader vision of collaboration and integration in Asia. Integration will help support regional and global public goods and promote larger regional markets. The experience of European integration is a useful

benchmark, but there are important differences. Europe's integration agenda (from 1957 to date, spanning over 50 years) followed a clear sequence: trade, capital, money. Asian countries are less homogeneous in their economic structures. Therefore, progress towards financial and monetary integration should be correspondingly prudent to avoid setbacks.

Having touched upon what ADB should be doing, let me now comment on the financial resources to achieve its goals.

Asia's development needs are enormous, but so are its savings and accumulation of foreign assets; by contrast, the amount of direct financing ADB can provide is limited. ADB should therefore make greater use of guarantees, new investment schemes, and risk analyses, to attract the vast resources available in the region to finance projects, especially in sectors where investments are riskier and more expensive—for instance in renewable energy.

Fighting poverty requires a global effort, including from non-traditional sources of aid. World Bank President Bob Zoellick has recently called for sovereign wealth funds to invest in sub-Saharan Africa. I see no reason why this could not happen, *a fortiori*, in Asia, a region where some of the largest sovereign wealth funds are located. ADB could act as the facilitator for this.

Finally, Asia's impressive economic success paves the way for an expanded role for regional donors. This calls for more collaboration among the international financial institutions, traditional donors, and prospective new players. ADB should be a catalyst in this process. We welcome the successful replenishment of the Asian Development Fund (ADF), although we regret, once again, the limited commitment of regional emerging donors.

Let me conclude with some final considerations on ADB's internal organization.

A new strategy calls for a new ADB. Over the past year ADB has undertaken a number of initiatives to align its operations with country programs, diversify its products, and streamline its procedures. President Kuroda has shown leadership in advancing the reform agenda and making the ADB more efficient. For ADB to reach its full potential we encourage a strong result orientation and willingness to make fast and deep changes in human resources management.

Italy continues to support ADB and to value its achievements. We are confident that, if it strengthens its commitment to excellence and ability to reform itself, ADB will remain a leading institution in the world's most dynamic region.