

MONGOLIA

CHULTEM ULAAN, Governor

It is my pleasure to be here in the fascinating city of Madrid and to represent the Government of Mongolia at the 41st Annual meeting of the Board of Governors of the Asian Development Bank (ADB). I join fellow governors in thanking the Government of Spain and the people of Madrid for the warm hospitality extended to us.

This year's meeting coincides with two very important events for ADB and all its members: the launching of the long-term strategic framework 2008–2020 (Strategy 2020) and the successful conclusion of Asian Development Fund (ADF) X negotiations. As a country benefiting from the ADF, I would like to express our sincere gratitude to all ADF donors for their generous contributions.

Over the last year there have been continuing discussions regarding the role of ADB in the changing circumstances of the region. The Asia and Pacific region has seen remarkable economic growth in the past four decades, and last year was another banner year with an average growth rate of 7.6%. In Mongolia in particular we enjoyed a high growth rate of 9.9%, with GDP per capita exceeding US\$1,400. Unfortunately we cannot say that last year was without challenges, with surging prices for oil and basic food commodities on the world market affecting the poorest people the hardest.

In the light of such vulnerability and with poverty and inequality still persisting in low- and middle-income countries alike, we must be careful when re-examining the traditional role of ADB as a development bank. While we appreciate ADB's efforts and achievements in its reform agenda, we cautiously note a widening difference between ordinary capital resources (OCR) and ADF operations at the bank, and the emergence of an "investment bank" direction in some thinking. While we, as shareholders, value and benefit from the bank's AAA rating, we believe that ADB should remain first and foremost a development organization, and that poverty reduction, not profitability, should be the single most important objective of the bank.

We are glad to see from the donors' report that ADF X negotiations have put considerable emphasis on supporting poorer and weakly performing countries. Having said that, we would like to stress that all ADB operations, not just those funded by ADF, should be geared toward achieving the overarching goal of poverty reduction. Recent Operations Evaluation Department reviews concluded that, as a general observation, many country partnership strategies lacked focus and that at times ADB is involved in too many sectors. For many ADF-only countries who have limited access to low-cost commercial credit, assistance from bilateral and multilateral partners such as ADB is a major source of investment in public goods after budget resources. As a major development partner, ADB is trusted by developing member countries as the partner

for the development of the country overall, not just of a few specific sectors. Therefore the selectivity of operational areas must be combined with a certain degree of flexibility to allow specific and diverse country needs to be considered. We welcome ADB's involvement in a broad spectrum of activities as a trusted long-term development partner, and urge ADB donors and management to scale up assistance efforts in order to meet the vast development needs of member countries.

We also note with concern a general trend in global official development assistance activities, including those of ADB, of declining investments in the infrastructure and production sectors. It is true that investments in social sectors provide the shortest route to achieving many non-income Millennium Development Goals (MDGs). At the same time, declining investments in physical infrastructure from major donors such as ADB could risk restricting economic growth or increasing the cost of such investments for developing countries.

In Strategy 2020, we appreciate ADB's recognition that agriculture and rural development remain fundamental components of an inclusive growth policy and that the bank intends to provide focused assistance to important areas of rural development. In the wake of recent sharp increases in food prices and concerns about food security, we hope that ADB will exercise flexibility in implementing Strategy 2020 to broaden its involvement in agriculture to assist developing member countries to mitigate the short-term impacts of these increases and to find long-term solutions to ensure supply sufficiency and address spiraling food prices.

Finally, we commend ADB's commitment to the Paris Declaration, with its focus on effectiveness, accountability, and transparency. Having said that, donor commitment alone is not sufficient, and the capacity of developing countries to take on the responsibilities is extremely important in achieving Paris Declaration objectives. We believe that ADB's strong policy statement on becoming a knowledge bank is extremely fitting and useful toward this end, and we wish President Kuroda and his staff every success in this endeavor.

I would like to close by expressing once again our deep appreciation of ADB's Board, Management, and all staff for their unyielding efforts in promoting growth and prosperity in the region. As always, we remain thankful to ADB for the continued support for development of Mongolia and look forward to a strong partnership in the years to come.