

PAKISTAN

MUHAMMAD ISHAQ DAR, Governor

On behalf of the Government and people of Pakistan let me join my colleagues in thanking our hosts and the Asian Development Bank (ADB) for making our stay here comfortable and constructive.

We meet at a time when the world is facing new economic challenges. An unusual surge in commodity prices, particularly of oil and food staples, has already hit the economies of the developing member countries. The implications are serious both for the developing economies and our development partners. Together we have invested in development which is exposed to erosion. Together we can save it to be able to remain on track for poverty eradication, economic growth, and social development.

I would like to express our sincere thanks to the donor countries for having successfully concluding the Asian Development Fund (ADF) X negotiations and for having pledged additional resources in close approximation to the proposal from ADB. I would also like take this opportunity to congratulate the ADB Management for measuring up to donors' expectations in enlisting additional resources.

We appreciate the ADB Management's efforts in having steered the completion of the long-term strategic framework 2008–2020 (Strategy 2020). However, this is not an end in itself. A number of elements in implementation will need to converge for these strategies and agreements to work and meet their developmental objectives. While Strategy 2020 recognizes the large financing requirements if the objectives of the strategy are to be met, it does not provide resources. The resource picture of ADB indicates that ADB faces capital constraints, although the predictability of resources is recognized to be a critical factor for developing countries so they can manage public finances and undertake realistic planning for development. The aid architecture has become much more complex and aid negotiations are taking longer and require more conditions, thus creating further unpredictability. It maybe premature to anticipate the outcome exactly, but the already delayed general capital increase for ADB may face challenges. We urge that the process be initiated and finalized quickly.

The increased vulnerabilities of developing countries to external shocks require quick adjustments according to each country's own requirements, resources and capacities, so that economic opportunities are captured and adverse consequences of these dynamic changes managed. The concept of comparative advantage rooted in free market dynamics is inappropriate in the context of provision of aid, particularly multilateral development bank assistance. No fixed menu of solutions and sectoral focuses can capture this dynamism and individual country contexts. For example, while agriculture support in Strategy 2020 is limited to infrastructure provision in rural transport, irrigation and water systems and microfinance, the

recent surge in food prices issues has highlighted the pressing need for a much broader engagement in agriculture. Similarly, health is considered a low priority in ADB activities, yet the regional and global threat from infectious diseases has created renewed awareness of the importance of sustainable and effective health systems in developing countries. In implementing Strategy 2020, ADB should clearly recognize different need requirements, and allow sufficient flexibility to allow staff to choose any operational area for investment if the country context and circumstances indicate it should be a priority area for ADB assistance.

The distribution of net income allocation needs to be rationalized so priority is given to reducing loan charges after necessary allocations to the capital stock of ADB in order to protect the income stream and other pressing needs of developing member countries. The responsibility for financing poorer member countries for their development continues to fall on donor countries and we expect them to play an even larger role in future. Climate change initiatives will entail extra costs for developing countries and will be an additional burden on their limited available resources. It is, therefore, a bit harsh to ask developing countries to transfer resources from meeting their own dire needs to shoulder this responsibility. We urge donor countries to support developing member countries for such initiatives through additional financial resources and technology transfer.

While efforts are being made to have development results integrated into ADB operations in Strategy 2020 and the Asian Development Fund, we feel that this concept should not be applied with rigidity. ADB deals with complex realities for which answers are not always clear, therefore the results framework should be used mainly for learning and realigning programs, processes, projects and strategies. It should not restrict ADB from meeting developing member country demands or promote reluctance within ADB to address more complex issues. Management should be mandated to be totally independent in its operations and strategies if it is to be held accountable for results. This is the only way in which the results framework will add value.

In conclusion, let me say that we appreciate all the initiatives being undertaken by ADB under the leadership of President Kuroda toward the common benefit of the people of Asia. We hope that each of us will equitably share in the fruits of such endeavors.