

SWITZERLAND

JÖRG AL. REDING, Governor

On behalf of Switzerland, I would like to extend my gratitude to the Government of Spain, and to the authorities and the people of the city of Madrid for the excellent arrangements and their warm welcome and hospitality on the occasion of the 41st Annual Meeting of the Asian Development Bank (ADB).

A year ago, we have used the expression of an Asia of two faces:

- a prosperous Asia on the one hand, growing at a breathtaking pace, and assuming an ever stronger role at the global level; and
- an Asia of growing income disparities on the other hand, where some countries are struggling to reach the Millennium Development Goals (MDGs) by 2015

These two faces of Asia are still with us, and have received renewed emphasis through the record prices for food staples that made headlines recently. It is indeed shocking that globally an additional 100 million people have come to depend on food aid within the last 6 months. In the Asia and the Pacific region those 600 million people already living in absolute poverty (i.e., living on less than US\$1 a day) are the first to be hit by price hikes and the shortage of staple foods on the market.

In many developing countries, agriculture is a mainstay of the economy, and a potential engine of growth. Sadly, over the past decade, investment in agriculture has often been considered a low priority in national and international development policy. The message we have to draw from recent events is clear: agriculture remains indispensable for development and for poverty alleviation. All development partners should renew their emphasis on agricultural development and take appropriate action, especially on the policy level.

For many years we have deplored low prices for farm produce and the unfavorable terms of trade. Now that the tide has turned we are even more concerned.

High commodity prices for staple crops jeopardize the food security of the poor and carry a high potential for political unrest. Therefore, state actors tend to respond swiftly. However, the short-term response actions governments take do usually not address the challenge for long-term policy making. Only a policy that is tailor-made to specific country needs can deliver agricultural development. We need to take an integrated approach to agriculture by investing in infrastructure that supports agricultural production, a role ADB keeps playing, but also by investing in knowledge, science, creating an enabling environment for farmers, sending the right price signals,

providing secure tenure, and finally by encouraging trade in agricultural commodities and keeping the borders open.

We encourage ADB to maintain a focused and selective set of activities related to agriculture, in collaboration with other actors such as the World Bank Group, the Consultative Group on International Agricultural Research (CGIAR) and the **International Fund for Agricultural Development** (IFAD), because, to paraphrase the long-term strategic framework (Strategy 2020), “Support for agriculture and rural areas is an underlying component of inclusive growth.”

Turning to inclusive growth

We welcome the inclusion of the concept of inclusive growth in Strategy 2020 as one of three strategic orientations of ADB to the year 2020. This means that growth will be looked at in terms of the opportunities and empowerment it creates for the poor. It means that inclusiveness has to be considered in all the core areas of ADB operations: infrastructure, environment, regional cooperation, finance sector development, and education. It means that the poor get access to infrastructure, finance and markets, and that they are equipped with basic education and vocational skills. It means that growth strategies should eliminate as much as possible “inequalities of circumstances”—such as ethnicity, class, caste, language or gender—and that they should allow only inequalities that result from individual efforts—the rewards of competitiveness.

It is crucial that ADB sees itself as a driver for inclusiveness. Growing disparities are threatening social stability in the region. Success in overcoming these disparities will benefit economic growth in the entire region.

Inclusive growth is a grand objective which requires many agents of change working together. A main agent of change is the private sector. We welcome ADB’s intention to work as a catalyst for private sector investment where this still poses great risks for private investors. We are also confident about ADB further developing public–private partnerships, particularly in infrastructure—transport, water supply, energy supply.

Environmental Sustainability

Respecting social and environmental standards throughout ADB’s operations is key to promoting social security and environmental sustainability. In the spirit of the commitments of the Paris Declaration and country ownership, country safeguard policies are becoming more important. With the review of its own safeguard policies, ADB is making an important move in that direction.

Switzerland supports this step, which requires a critical assessment of whether country systems are equivalent to those used by the international financial institutions (IFIs), and whether capacities to implement and enforce agreed standards are sufficient. There are a number of non-negotiable principles that need to be applied to the environment, indigenous peoples and involuntary resettlement policies. Switzerland welcomes the broad consultation of the draft safeguard policy statement on environmental and social safeguards. A broad range of views from governments, nongovernment organizations (NGOs) and the private sector needs to be heard and considered in the process of reviewing these safeguard policies.

Growth, in the long run, is only pro-poor if it is environmentally sustainable. Like any other of area of the world, the Asia and Pacific region will be affected by climate change. Over 60% of the world's population lives in this region, many of them in coastal areas that will be particularly

affected by climate change, and a good number in marginal environments that bear a high risk from climate variability and temperature increase as well.

Last year, I emphasized the importance of stepping up mitigation efforts, including through energy efficiency and emissions trading. I have commended ADB for the work it is undertaking in these areas. There is no need today to reiterate that it is of great importance to develop and distribute climate-friendly technologies.

However, the challenge goes beyond the deployment of technological systems. Social systems and communities need to respond and to adapt. Collectively we have to step up our adaptive capacities. Risk assessment and risk mitigation—for example through insurance products—is part of that improved adaptive capacity, which allows individuals and societies to cope with unforeseen events and calamities.

Globally, our adaptive capacity will depend on the commitments and the close collaboration of all multilateral and bilateral partners. This is why we are talking about the future of the multilateral architecture for addressing climate change. The IFIs need to ensure consistency with the UN framework and the recommendations of the Bali Action Plan. I encourage ADB to focus on priority areas based on its comparative advantages and to ensure that its approach to climate change is coordinated with the capacities and programs of other multilateral development banks and relevant actors.

Conclusion

We are on the road to 2020, and we hope for an Asia free of poverty. In the past year, in a rapidly changing environment, ADB has sought to articulate its strategic orientation. This process started with the Eminent Persons Group report and went through a series of consultations with its stakeholders. The end-product is Strategy 2020, which was approved by the Board of Directors very recently. We recognize this as an important moment for ADB because it is:

- a start for further efforts toward reaching the MDGs—with a replenished Asian Development Fund (ADF) as an indispensable resource to make progress; and
- a start toward implementing important policy commitments ADB has taken during the replenishment negotiations, and which have been shaping the donors' report for ADFX.

To conclude, I would like to express my gratitude to the President for his leadership, and to ADB staff for their dedicated work. I wish you success in tackling the challenges that lie ahead, and I assure you once more of the continued support of Switzerland.