

UNITED KINGDOM

SHAHID MALIK, Alternate Governor

It is a real pleasure to be in this beautiful city with its rich history and culture, and I wish to join other colleagues in thanking the Government of Spain, and the people of Madrid for their kind hospitality.

I propose to talk about four issues: the long-term strategic framework 2008–2020 (Strategy 2020), the reform agenda, governance and accountability and the importance of safeguards.

Long-Term Strategic Framework

This is a time of considerable strategic importance for the Asian Development Bank (ADB). Following the lively discussion we had last year in Kyoto on the report of the Eminent Persons Group, ADB initiated a comprehensive round of consultation and dialogue with shareholders and other stakeholders to review the long-term strategic framework.

The outcome of that process is now at hand. ADB has a new strategic framework—Strategy 2020. In the past year, we have also been discussing a replenishment of the Asian Development Fund. Ahead of us are discussions around a general capital increase for ADB. Also on the agenda are reviews of important issues such as ADB's safeguards policies, the implementation of the human resources strategy, ADB's energy policy, and the independence of the evaluation department.

I will say more on several of these issues in a minute. But first, let me touch briefly on Strategy 2020.

Under Strategy 2020, ADB will aim to reduce poverty by promoting inclusive and environmentally sustainable growth as well as regional cooperation. ADB's operations will focus on infrastructure; the environment, including climate change; regional cooperation and integration; financial sector development; and education. As such, we think Strategy 2020 provides a viable framework to guide the future direction and activities of ADB and for ADB to remain, besides the World Bank, the main multilateral financier in the Asia and Pacific region.

The task for ADB Management is now to move from the theoretical to the practical.

In particular, a key but as yet unanswered question, is how will ADB implement its new strategic framework? How will Strategy 2020 affect ADB operations? How will it impact on the organization and staffing of ADB? And what will be the budgetary implications? In short, we need to swiftly move on to a discussion about how to translate Strategy 2020 into reality and

turn the words it contains into actions. At the halfway point to the Millennium Development Goals (MDGs), making faster progress is an urgent priority.

The Board of Directors has reported that ADB is running out of lending and borrowing headroom and that staff will shortly commence a study on the need for a capital increase. I will say little today about a capital increase, except that we will expect Management to explore all of the options and alternatives, make efficient use of its existing resources and ensure its operations add value. Our discussions will inevitably have to include a discussion about the size of operations which ADB envisages under Strategy 2020. The objective is not to lend more and more, but to have the maximum impact on poverty reduction.

It would be remiss of me not to mention the issue of food pricing and security at this point.

This issue, if not tackled promptly, has the potential to undo many of the gains in reducing poverty and improving economic growth and prosperity that we have seen in Asia in recent years. The events of the past few weeks and months have taken all of us by surprise and demonstrate the need for a flexible approach in setting a corporate strategy, such as that outlined in Strategy 2020.

The ADB must be part of the coordinated international response to this crisis within the terms both of its mandate and of Strategy 2020. In this regard, we welcome ADB's announcement to provide immediate assistance to protect the poorest and most vulnerable groups, together with medium- to longer-term assistance to support improvements in rural infrastructure and reform of the agriculture sector. President Kuroda's commitment to enhancing ADB partnerships in responding to the crisis is also welcomed.

Reform and ADB

I will now move on to talk about reform and ADB.

During the ADF IX negotiations, ADB committed to an ambitious reform agenda to improve the overall development effectiveness of ADB. Over the last 4 years, ADB has undertaken a number of initiatives for which it should be commended, including aiming to align its operations with country programs, diversifying its products to better respond to varying client needs, increasingly focusing on results in its operations and streamlining its procedures to become a lighter and more responsive organization. ADB can take satisfaction from this.

Yet, much remains to be done if ADB is to reach its full potential.

In particular, there is an unfinished agenda which Management needs to devote considerable attention to. This includes further mainstreaming managing for development results (MfDR); a higher degree of management ownership and leadership in delivering ADB's commitments under the Paris Declaration; improving human resource management practices, which are still overly centralized, rigid, and rules-based and far from best practice; greater delegation of decision making from headquarters to resident missions; and improving corporate governance, including the independence of the Operations Evaluation Department.

The President has reaffirmed his commitment to MfDR and recent reports and studies have confirmed that ADB has expanded its internal capacity in this area and that it has institutionalized MfDR at a rate comparable to that of other MDBs. However, there is still some way to go. In particular, it is clear to us that results are not topmost in staff's minds when processing new loans and projects and that a results-based culture is still grappling for a

foothold within ADB. We look to the President and his senior team, to provide a clear lead. It is essential that the UK is able to be accountable to our public, and also to the people of Asia, to be clear that resources are being used in the most effective way to fight poverty.

While we are still missing the Corporate Scorecard, which ADB promised last year and against which ADB's effectiveness could be measured, we are pleased to see that ADB is developing a unified results framework, which will form the basis for a single annual report on ADB's development effectiveness, the development effectiveness review. This is a commendable step in the right direction and we look forward to seeing this report in due course.

Governance and Accountability in ADB

Governance and accountability issues are central to maintaining the confidence and trust of all ADB's members. The selection and appointment of the head of the Operations Evaluation Department raised some questions for us around the extent to which ADB's governance represents best multilateral practice. It is imperative that the Auditor General; the Integrity Unit; and the Risk Management Unit are fully independent – and particularly the Operations Evaluation Department, as members need to have confidence in its products.

Safeguards

ADB is undertaking a review of its three safeguards policies covering involuntary resettlement, the environment, and indigenous peoples. We will see the outcome of this review later this year.

While I do not want to pre-judge the outcome of the Review, let me say that we regard an effective safeguard mechanism as being key to ADB's credibility concerning social inclusiveness and environmental sustainability. Safeguards should not be regarded as a kind of "cumbersome non-financial cost" that can be reduced, evaded, or avoided. They protect the rights of the poorest, most vulnerable people.

As shareholders and donors, we have again confirmed in Strategy 2020 that ADB has a comparative advantage in the area of infrastructure. And ADB is undertaking some very large and much-needed infrastructure investments in the region.

Big infrastructure investments have big impacts on poor people, both positive and negative. As an international development institution, ADB must uphold the highest standards in its operations. Dilution of the safeguards policies is not an option for the United Kingdom and it should not be an option for ADB and its shareholders.

Conclusion

We have a challenging year ahead of us. Asia is changing fast and ADB must transform itself to be able to keep pace with that change, remain relevant and continue to assist the poorest people in Asia. The UK, as always, stands ready to assist ADB in this task, and we look forward to a constructive dialogue in the coming year.