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AUSTRALIA

Bob McMullan, Alternate Governor

Mr Chairman, Governors, Mr President, ladies and gentlemen,

On behalf of the Government of Australia, let me thank the Government of Indonesia for hosting this, the 42nd Annual Meeting of the Asian Development Bank (ADB).

President Kuroda, my congratulations on the recent agreement to undertake a significant increase in the ADB's Ordinary Capital Resources. Mr President, credit must go to you for your persistence in explaining and justifying to shareholders the need for a general capital increase, and in demonstrating your commitment to a broadly based institutional reform agenda.

The recent G-20 initiatives to address the global recession, and reform and strengthen the global financial system, gave significant impetus to calls for a general capital increase for the ADB. G-20 processes played a major part in ensuring the necessary political support for the general capital increase.

At a time of downturn in global capital flows, G-20 Leaders are looking to the international financial institutions to play a key role in meeting the capital needs of the developing world. G-20 Leaders have announced their support for a substantial increase in lending of at least US\$100 billion by the Multilateral Development Banks (MDBs), and to ensure that all MDBs have the appropriate capital.

The significant increase in the ADB's financial resources will allow the Bank to respond decisively to the current economic challenges facing the Asia-Pacific region. In addition, it will strengthen the ADB's ability to implement *Strategy 2020*, the Bank's long-term strategic framework.

While it is true that the current economic challenges are global, it is also true that the impact of the current deterioration in global economic activity will be felt hardest by the world's poor, of which two-thirds reside in the Asia-Pacific region.

The ADB has committed to provide an additional US\$7 to US\$8 billion of funding support to crisis-affected developing member countries in 2009–2010. Australia encourages the ADB to use its strengthened financial resources to move forward quickly in addressing the current economic challenges through the use of flexible, fast-disbursing and front-loaded instruments - ensuring that resources to fight the crisis are available to those most in need.

In recent years, the ADB has been successful in developing strategic partnerships with a range of development partners - including Australia - and accessing greatly increased levels of co-finance. These have helped the ADB to leverage its impact far beyond the capacity of its own capital base. It is essential that these efforts are maintained and enhanced.

In addressing current and future development challenges facing our region, it is critical that we do not forget the lessons of the past, namely that macroeconomic stability and poverty reduction are intertwined. Only through continued efforts to promote sustainable inclusive growth and fostering open regional cooperation, will the Bank achieve its poverty reduction mandate in the short, medium and long-term.

The ADB and regional members need to continue to work together to strengthen the capacity of regional economies to effectively deal with future economic crises, including through deeper regional integration in finance and trade. There is the need for further work to deepen regional (local currency) bond markets to ensure that developing member countries have a reliable source of finance to pursue their development objectives.

While member countries have now committed to provide the ADB with the financial resources to assist address the impacts of the global financial crisis and to implement *Strategy 2020*, these resources alone will not ensure effective development outcomes.

Ensuring that the ADB exercises its responsibilities in the best interests of those it is mandated to help through continual improvements in transparency, participation, evaluation and responsiveness is essential. The ADB is to be commended for its strong rankings in these aspects in the recent *One World Trust's 2008 Global Accountability Report*.

Australia is pleased with the progress that the ADB has made in developing its results based reporting system. We note that this reporting system is still in its infancy and no doubt will need to be refined over time. We expect the Bank to strive for, and even set, world best practice.

Furthermore, while recognising there may be costs associated with the devolution of responsibility to resident missions, Australia encourages the ADB to do more in this area. Greater participation by local governments and communities is essential to the long-term ability of the Bank to achieve its poverty reduction mandate.

Australia is also pleased with the ADB's progress in enhancing the independence of the Independent Evaluation Department and the progress that it has made on human resource reforms. Ensuring that the ADB has a highly skilled and motivated workforce is critical to the Bank's effectiveness. Australia encourages the ADB to continue to make progress in this area.

In particular, ADB should build on the initiatives it has already taken in relation to senior staff positions and ensure that all staff and management are subject to selection processes that are open, transparent and competitive, and that place merit above geographic representation.

G-20 Leaders have called for further reforms to enhance the governance arrangements of the international financial institutions. Australia encourages the ADB to engage fully in these processes.

Thank you.