

Message from the President and Chairman of the Board of Directors

The year 2007 proved to be, overall, another banner year for developing Asian economies. Again led by strong growth in the People's Republic of China and India, the economies of developing Asia and the Pacific expanded by 8.7%, slightly faster than in the previous year. This growth was widespread, with countries such as Indonesia and the Philippines picking up momentum.

In the latter half of the year, storm clouds began to gather on the international economic horizon. Asia has managed to weather the storm, buoyed by macro-economic fundamentals that have been substantially strengthened since the financial crisis of 1997/98. However, the region is by no means immune to international shocks. External instability demands that developing Asian countries continue to implement reforms to anchor and increase their resilience to external risks.

This is particularly important given the difficult development challenges that still lie ahead. Asia and the Pacific remain a region of two faces, with hundreds of millions still mired in poverty and growing economic disparities among and within countries. These disparities threaten both future growth and regional and global stability. Continued rapid economic growth is essential to reduce poverty, but it must be inclusive, to provide jobs for the poor and generate investment in the critical areas of health, education, and social safety net systems.

Another crucial challenge facing the region is to put growth on an environmentally sustainable footing. Alongside the environmental degradation that has accompanied the region's development, the growing reality of climate change puts at risk the lives and livelihoods of millions of the region's poor. In recent years, and certainly in 2007, the 10th anniversary of the Kyoto Protocol, the issue of climate change has risen to the top of the international development agenda, and the Asia and Pacific region must play a significant role in generating and implementing regional and global solutions.

The report of the Eminent Persons Group, tabled at ADB's 40th Annual Meeting last May, marked the launch of an extensive consultation on ADB's new long-term strategic framework, Strategy 2020. This

charts an exciting course for ADB from now until 2020. With inclusive growth, environmental sustainability, and regional cooperation and integration gaining momentum in recent years, ADB is prepared to focus its efforts to eradicate poverty on these three agendas, and our long history in the region gives us a distinct comparative strength with which to do so. Helping developing member countries pursue these agendas will ensure stability and more widely shared prosperity benefiting not only the Asia and Pacific region but the entire world.

ADB and its donor members began negotiations on the ninth replenishment of the Asian Development Fund (ADF X). The region can only prosper and achieve its full potential if its poorest nations are helped to reach their aspirations. An expanded ADF X is essential to support the fight against poverty and to progress toward the Millennium Development Goals in this part of the world, and will be used to the benefit of our poorer countries in full alignment with Strategy 2020.

Looking to operations, it was a very busy, productive, and exciting year for ADB. Our annual loan approvals grew from \$7.4 billion in 2006 to \$10.1 billion in 2007, clearly demonstrating the growing demand for ADB assistance in all parts of the region. Our relevance as a development institution depends on

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ADB President Haruhiko Kuroda meets villagers in Shaanxi province in the arid loess plateau region of western People's Republic of China to better understand their trials and aspirations

our ability to respond effectively to such demands as the region continues to develop.

Recognizing the important role of the private sector in generating jobs and growth, ADB is placing more emphasis on private sector operations. In 2007, our private sector operations totaled \$1.7 billion, significantly above recent levels. The private sector will continue to play an increasingly vital role in the region, and we expect private sector operations to become a leading part of ADB operations by 2020.

As the Asia and Pacific region changes, so must ADB to stay responsive and focused on achieving development results. Since adopting the managing for development results framework in 2004, all of ADB's country strategies have been designed to link our interventions more clearly to expected development outcomes. Our growing portfolio reflects the continued improvements we are making in, among others, the quality of ADB projects; the financing options we offer; the processing time for projects and consultant recruitment; and our partnerships with nongovernment organizations, the private sector, and other development partners.

Of course, ADB's talented and dedicated staff members are central to these efforts. To ensure our ongoing

effectiveness, we continue to emphasize staff development. We recently completed our 2008 staff engagement survey and look forward to the review of ADB's human resource strategy, which will be undertaken this year. It is essential that we ensure ADB's continued ability to attract and retain the high-quality staff members needed to support the next phase of Asia's economic and social development.

We face the future with hope and confidence. We believe that our assistance, and our useful, timely, and relevant knowledge products, will significantly help our developing member countries toward transforming the region into one free of poverty, where all citizens can participate in and benefit from inclusive, environmentally sustainable growth. We look forward to the continued support of all our partners and shareholders as we take the next steps on this exciting journey.

HARUHIKO KURODA

President and Chairman
Board of Directors