

# Message from the President and Chairman of the Board of Directors

**T**he Asia and Pacific region is no stranger to troubled times. In 2008, on the heels of food, commodity and oil price shocks in the first half of the year, the global financial crisis broadened and deepened, feeding uncertainty across financial markets, including those in Asia. While most economies of the region are far more stable now than when the 1997–1998 financial crisis hit, plunging equity prices and shrinking credit markets imply tough times ahead. Most importantly for developing Asia is the spillover into the real economy, with sharply declining exports and production growth threatening to reverse the region’s hard-won progress. The Asian Development Bank (ADB) responded quickly, allocating over \$4 billion of additional resources to support the efforts of its developing member countries to deal with these crises.

This rapidly shifting environment underscored the need for ADB to remain flexible and responsive. At the same time, another key development—the launch of ADB’s long-term strategic framework 2008–2020 (Strategy 2020) clarified our priorities. Strategy 2020 sets a strategic direction for ADB, with a clearer focus on poverty reduction through inclusive growth, environmentally sustainable growth, and regional integration. Strategy 2020 further focuses our operations in the five core areas of infrastructure, environment, regional cooperation and integration, finance sector development, and education. It also highlights the need for greater private–public sector investments in the region. Responding to this need, we will increase our support for private sector development to 50% of our annual operations by 2020.

To carry out our work under Strategy 2020, ADB will need significantly more resources than in the past. I am pleased that we were able to successfully conclude ne-

gotiations for the ninth replenishment of the Asian Development Fund (ADF X) and the fourth regularized replenishment of the Technical Assistance Special Fund. The total replenishment amount of \$11.3 billion will enable ADB to make a greater contribution to poverty reduction in its lower-income developing member countries, particularly during this difficult period.

To deliver our mission of poverty reduction in all our developing member countries, however, we also need a substantial increase in our ordinary capital resources. This is demonstrated by the steady growth we have seen in our lending portfolio, which reached an unprecedented \$10.5 billion last year, and by the region’s ever-increasing development finance demand. Negotiations with our shareholders on a general capital increase began in late 2008, and we hope to reach an agreement by May 2009.

In addition to financial resources, we need to continually improve our institutional effectiveness. In 2008, ADB became the first multilateral development bank to adopt a corporate-wide results framework, focusing on Asia-Pacific outcomes, ADB’s contribution to country outcomes, ADB’s operational effectiveness, and our organizational effectiveness. The results framework, which will be refined with experience, will focus all of us more clearly on the outcomes we wish to achieve, and hold us individually and collectively accountable for results.

**ADB has made considerable efforts to become a more relevant, responsive, and results-oriented development partner**



President Kuroda meets beneficiaries of a village road project in Nagapattinam, Tamil Nadu, southern India

Based on the results framework, ADB submitted its first Development Effectiveness Review to the Board in October 2008. The report showed that a higher proportion of ADB projects are delivering intended results than before and that the performance of ADB's ongoing loan projects is good and improving. Impressively, projects at risk have declined steadily from 26% in 2001 to 7% in 2008.

Progress is being made in other areas as well. Following the ADB-wide staff engagement survey, for instance, we commissioned an independent review of our human resources strategy, the recommendations of which have been submitted to Management for consideration. A comprehensive evaluation of our Operations Evaluation Department also led to recommendations to enhance the effectiveness and independence of the department. The ongoing review of our safeguard policies garnered much constructive input that will help strengthen these policies. We also continued to refine and improve our financing instruments and modalities and our business processes to better respond to the needs of our clients. While much remains to be done in all areas, clearly ADB has made considerable efforts to become a more relevant, responsive, and results-oriented development partner.

These results are encouraging, particularly given the very challenging agenda set out in Strategy 2020. Increasingly, our focus will be on climate change—an issue that has significant and complex implications for Asia's eco-

nomical and social development. We are working closely with our developing member countries to help them find low-carbon paths to economic growth, and to adapt to the already unavoidable impacts of climate change.

These and other large challenges lie ahead if we are to achieve our goal of eliminating poverty in the region. Asia and the Pacific must continue to grow to create a region free of poverty, but grow sustainably, contributing to the world's future health and well-being. Our immediate and most pressing challenge is to support our developing member countries through what will surely be another difficult year for the regional and global economies. But our efforts today must always be accompanied with a clear vision of the more distant horizon. By focusing our investments wisely, we can help ease the impact of the global downturn on the poor while moving the region to a more inclusive, balanced, and environmentally sustainable growth path. We look forward to working with our shareholders and partners to support the Asia and Pacific region's continued development and growing contributions to poverty reduction.

Haruhiko Kuroda

A handwritten signature in black ink, appearing to read 'H. Kuroda', written in a cursive style.

President and Chairman  
Board of Directors