



Challenges for All at ADB

PRESIDENT KURODA addressed Management and staff on 6 February, a year after he became President. Following are excerpts from the President's message.

At our first meeting a year ago, I set out what I view as key issues facing ADB in the context of the region's changing needs. Over the course of the year, I believe we have crossed a number of important milestones. Through a series of internal changes and realignments, we are becoming more relevant, responsive, and results-focused in all our operations.

So I am very pleased today, after one year as the President of ADB, to have this opportunity to share with you the highlights of our achievements and progress made in 2005, and speak to the challenges in coming years.

ADB in Action in 2005

As we all know, ADB is committed to the Internal Reform Agenda—to enhancing the development effectiveness of all its operations. To this end, we are working closely with our DMCs to align our strategies with theirs, and to assist them in building their capacities to effectively manage the development process.

At the same time, we are closely cooperating with other multilateral and bilateral development partners to

harmonize practices and procedures, and to improve the overall impact of development assistance. These efforts are consistent with the international consensus embodied in the Paris Declaration, which was adopted at the Second High-Level Forum on aid effectiveness in February of last year.

To improve service to our clients and help DMCs meet their investment needs, we have been removing bottlenecks in our business processes and offering a new array of financial services through the Innovation and Efficiency Initiative (IEI).

At our Annual Meeting in Istanbul last year, I noted that we need to scale up our assistance to help our DMCs meet their growing development challenges. I am pleased with the outcomes of our effort. In 2005, ADB approved nearly \$7.0 billion in assistance to our DMCs, of which about \$1.2 billion was in the form of grants. Additionally, two multitranches financing facilities, a new lending instrument for the Bank, were approved totaling \$1.5 billion.

2005 was also a year of greater focus on portfolio management and project implementation. Results for 2005 showed an increase in public sector loan

disbursement, while projects at risk have declined steadily.

Internally, we are better aligned to meet the region's emerging challenges. RSDD has been reorganized to better support and enhance operations. The Office of Regional Economic Integration was established to provide strategic focus in regional cooperation and integration. The independent Risk Management Unit is in place as the first step to strengthen credit and financial risk management within ADB. And the Office of External Relations was upgraded to the Department of External Relations to enable effective management of expanded responsibilities and to support ADB's Public Communications Policy.

The new HR Strategy approved in 2004, is a critical part of the Internal Reform Agenda. Full implementation, which is now underway, is crucial to delivering the promised results—those being: greater efficiency and effectiveness through process and procedural improvements. We have conducted the comprehensive review of staff compensation and benefits. The new performance management system better aligns individual's work plan with the organizational key results areas, with responsibilities and accountabilities more clearly defined.

More Selectivity and Efficiency in 2006

As we move forward, we must continue to increase our focus and prioritize our efforts to achieve real results on the ground, within a more efficient and solid institutional framework. For that, 2006 is the year of consolidation in terms of staffing and budget. Incremental resource requirements in 2006 will have to be met exclusively from currently available resources within the approved budget envelope. This presents an enormous challenge for ADB that can only be met by being more selective, more productive, and more efficient in all endeavors.

Managing for Development Results

Since the key underlying objective of the Reform Agenda is focus on results, there is a need to intensify Bank-wide efforts at all levels for Managing for Development Results. Initial progress has been made in developing Results-Based Country Strategies and Programs, and in improving the results focus in project design and adopting results frameworks for various policy papers. We still have, however, a long way to go to fully mainstream Managing for Development Results. Capacity building in DMCs will be a critical factor in this undertaking. I would like to ask Vice Presidents, Department Heads and Division Directors to more closely guide staff in this effort.

ADF Mid-Term Review

Under ADF IX, donors significantly increased their contributions compared to ADF VIII, based on ADB's commitment to improve its institutional performance and results-focus through a series of reform measures. These measures are now largely included in the Reform Agenda.

The ADF mid-term review is an ADB-wide task, requiring inputs from various departments and offices. In addition, it is our actual progress in reform measures, reflected in our operations on the ground, which is most critical for a successful mid-term review.

Medium-Term Strategy II

Turning to MTS II, the period covered under MTS I ended in 2005. However, thematic priorities and operating principles of MTS I are still valid. MTS I principles, such as country ownership and leadership, long-term approach, alliance with other development partners, the importance of knowledge and learning, and flexibility in the modalities of our assistance, will continue to guide ADB's operations. Moreover, we need to maintain and pursue even more vigorously a number of actions initiated under MTS I.

At the same time, a new picture has emerged in the Asia and Pacific region since MTS I was adopted in 2001. Many countries in the region have achieved high levels of economic growth, along with impressive poverty reduction. However, maintaining high levels of growth is a major challenge

and will require higher levels of quality investment and increased productivity. We also note, despite the high level of growth, a large number of people in the region remain poor, and a number of non-income MDGs are unlikely to be achieved by 2015. Economic growth, therefore, needs to be more inclusive. Growth is also causing severe strains on environment. There are countries performing weakly and needing special attention and assistance. Finally, we note that regional cooperation and integration is increasingly becoming important, and embraced by countries. Regional cooperation and integration will provide a new dimension to the region in addressing the region's emerging issues.

Challenges

These are some of the challenges and issues that ADB will have to address in the coming several years. To maintain our relevance to the region, we have to upgrade our financial and technical assistance to our DMCs. We must also continue to improve effectiveness of our operations in addressing these challenges with a critical focus on results. This will require, among others, greater selectivity and

focus in our operations and more collaboration with our development partners. MTS II is now being prepared to guide us in addressing these issues and will outline key operational priorities for the next few years. I would appreciate your continued inputs to the process.

One final word about MTS II. Given the rapid and far reaching changes that are taking place in the Asia and Pacific Region, MTS II will cover 3 years, that is, 2006 to 2008. This will allow us to make some urgent shifts, while beginning a major review of our Long-Term Strategy. To initiate this review, it is my intention to invite external wisdom by forming an eminent persons

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group.

Let me close today with a word of thanks to all of you for your ongoing support and dedication.

I therefore ask all of you to work together with me in a spirit of positive change, to contribute to building a more relevant, responsive and results-oriented ADB for growth and poverty reduction in our DMCs. Thank you. ■

ADB and Other IFIs to Fight Corruption More Intensely

PRESIDENT KURODA and leaders of six other international financial institutions (IFIs) have agreed to move more aggressively to combat corruption. See *related articles on pages 8–9*.

The MDB heads reached a consensus on the need to harmonize procedures to fight corruption during a meeting, hosted by World Bank on 19 February in Washington, DC.

They also agreed to strengthen partnership in reforming policies on middle-income countries (MICs) by simplifying operational procedures, introducing new operational and financial policies, and strengthening partnerships among MDBs for work in MICs.

President Kuroda said, "Our support to MICs is very important and it is crucial that we continue to provide them with the necessary financial assistance and technical expertise."

The leaders also discussed climate change and agreed to improve the harnessing of funding for clean technology in developing countries.



The IFI heads at the Washington meeting include (from left) Jean Lemierre, European Bank for Reconstruction and Development; Donald Kaberuka, African Development Bank; Luis Alberto Moreno, Inter-American Development Bank; Paul Wolfowitz, World Bank; Haruhiko Kuroda, ADB; Philippe Maystadt, European Investment Bank; and Mark Allen, International Monetary Fund