



AUSTRIA
KARL-HEINZ GRASSER, Governor

I feel very honored to be able to have the opportunity to speak to you on behalf of Austria at this annual meeting of the Asian Development Bank (ADB). Let me begin by thanking the People's Republic of China for the hospitable and warm welcome and the excellent organization of this meeting. These thanks also go to the city of Shanghai whose tremendous progress I find really impressive.

I am particularly happy to welcome Portugal, like Austria a member of the European Union, as a new member of ADB.

Remarks on Specific ADB Policies

The year 2001 has brought about a far-reaching reorganization within ADB, with some important projects still under consultation with ADB stakeholders. But the last year has also seen political events of worldwide implications, to which ADB has responded in a swift and appropriate manner. The events of September 11 have—among other tasks—painfully brought to our attention the urgent need to combat poverty effectively. We as stakeholders in ADB must aim to reduce the vast number of people who feel little hope for a decent and prosperous life. We must enable them to cope with the challenges of globalization and make sure they are able to participate in the opportunities it is offering.

Bearing this in mind, the strategic decision of ADB to make poverty reduction a core goal of ADB's policy within its long-term strategic framework and the medium-term strategy has proved perfectly fitting. Austria has supported this strategy from the beginning and hopes that ADB's efforts, in close cooperation and coordination with other international financial institutions, and multi- and bilateral donors will show the results that we all wish to see. To this end, the parameters of pro-poor growth have to be carefully worked out and applied on an individual country basis in close cooperation with national authorities and other regional stakeholders, like civil society and nongovernment organizations.

The same goes for the extremely important issue of country governance assessments, a topic that is closely linked to poverty reduction. Only countries governed in a responsible, transparent, and democratic manner can tap their human, social, and

economic resources, and enter the path toward equitable and sustainable social and economic development, where all sections of society can participate and reap the fruits of their efforts.

Only a well-governed state based on the rule of law is able to attract foreign direct investment, vital not only for bringing much-needed capital into the country, but also new techniques, and management and organizational know-how. In this context, ADB's programmatic support of good governance issues, which include anticorruption and anti-money-laundering strategies, is a very important contribution to the development of client countries. It should be strengthened.

ADB's avowed commitment to a participatory approach, which duly considers the member countries' own planning and investment cycles, will ensure country and stakeholder ownership. This is crucial to achieve maximum poverty reduction and thus can provide for the optimal use of ADB resources. In this respect, I deem it vital that ADB's new country and strategy papers will become ADB's and the Board's key strategic documents, with the Board scrutinizing them very carefully, thus exercising due diligence in its supervisory role.

ADB's project portfolio reflects this commitment to poverty reduction. Between 2000 and 2002, the number of poverty analyses and assessments, as well as poverty reduction partnership agreements have risen significantly.

Stressing the necessity of participation, one must not neglect the importance of the social and economic empowerment of women. Apart from the fact, that of the two thirds of the world's poor who live in the Asia and Pacific region, the majority are women, experience in the development field has shown the highly effective impact of women's participation in the development process. This goes not only for the often-cited microcredit projects, but for a range of other areas as well. To exhaust the developmental and economic potential of women to its full extent, it is indispensable for the countries' development agendas to include a firm commitment to girls' education, equitable access of women to basic services, land ownership, and their involvement in decision making. Laudably, ADB is supporting gender and development policies by applying a range of institutional mechanisms. Still, there is a long way to go in this respect. ADB's assistance in making the empowerment of women a matter of course in national development strategies is therefore vital.

Another issue of high importance concerns the environment policy. Environmental degradation and destruction of natural resources in Asia have reached alarming levels. Pollution of water, soil, and air in many parts of Asia is seriously affecting people's health, with—apart from the individual suffering—the consequence of costly medical treatment, which puts a strain on low income earners as well as on public health budgets. The short-sighted—yet from the point of view of poor countries understandable—unsustainable exploitation of nature, including marine resources over a long period, have begun to diminish the agricultural and fishery resource base of many countries to an alarming extent, thus endangering food safety in the affected areas. To mitigate environmental damage as well as prevent further environmental degradation, it is of extreme importance that ADB—through its project lending strategy—extends its

assistance to client countries. In this way it can contribute effectively to implementing environmental policies and standards, including the use of energy-saving techniques. It is welcome news that ADB has made addressing environmental sustainability one of its crosscutting themes in the long-term strategic framework.

ADB Management

Let me now turn to some major activities ADB has undertaken since last year's annual meeting. One of the main topics concerns ADB's reorganization. Given the time needed for the implementation of a major reorganization, it is too early for an assessment. But I hope that this reorganization, which includes combining the project and programming departments, will significantly enhance ADB's evolution into a development-focused institution. Policy cohesion and quality control should be strengthened through close cooperation with the knowledge generating and knowledge management departments. In this respect, I am looking forward with interest to the findings of the evaluation study that is due to be submitted one year after the beginning of the reorganization.

Let me touch on a sensitive issue, and the lessons to be learned by ADB as a "learning institution." I am referring to the developments around the inspection of the Samut Prakarn Wastewater Project in Thailand, the first-ever full inspection of an ADB project under its 1995 Inspection Policy. The regrettable details of the matter are well known to all of us, so I can concentrate on the conclusions that can be drawn:

- (i) profound information and involvement of local stakeholders in a project need to be secured from the very beginning, in addition to concluding a project agreement at the government level;
- (ii) readiness of the client country to allow project site inspections;
- (iii) on the part of ADB's management and staff responsible for the project, due consideration of the findings of independent as well as of the Board inspection committees in a transparent, unbiased, and cooperative manner; and
- (iv) an information policy for nongovernment organizations that is in line with ADB's own commitment to accountability, openness, and transparency.

I deeply hope, that the deplorable experience of the Samut Prakarn project has helped to identify the shortcomings leading to this situation and thus will prevent similar developments in the future.

Another topic I think is worth raising regards the future exploitation of the management potential of ADB's vice presidents. I think there is room for extending their managing responsibilities and competences, thus enabling them to make better use of their connecting function between staff and the top management level.

Lending Activities

Regarding the financial aspects of ADB's activities, we have seen the adoption of the paper on private sector operations' strategic directions. This paper, with significant

input by the chairs, has taken a very promising line, with its focus on existing strengths in infrastructure and capital markets combined with pilot projects to extend the country and sector reach. I hope that with the help of applying the principles of subsidiarity and selectivity within the strategy, we will see the successful mainstreaming of private sector operations into ADB's general operations and strategy.

With regard to cofinancing and guarantees, last year's global economic slowdown led to a sharp decrease of cofinancing volume. The positive fact however is that more than half the total amount of cofinancing came from commercial sources. Given the incipient recovery of global economic indicators, we have good reason to hope that cofinancing activities will rebound this year and give ADB the opportunity to extend the commercial share of cofinancing.

Afghanistan

I would like to mention the proactive role of ADB in contributing to Afghanistan's rehabilitation and reconstruction. The proposed assistance package concentrates on projects where ADB can best apply its comparative advantage in the region: infrastructure, agriculture, education, and social development. However, it is not clear yet where ADB's proposed grants of a total of \$85 million will come from. I am looking forward with interest to ADB's respective financing plans.

I don't want to miss the opportunity to congratulate you, President Chino, on your reelection as President of ADB and wish you all the best in continuing your successful leadership of ADB.