



ITALY

FABRIZIO SACCOMANNI, Governor ad Interim

It is with great pleasure that I address the Thirty-Fifth Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) on behalf of Italy. I would like to start by thanking our gracious hosts, the Government of the People's Republic of China and the people of Shanghai, for their generous hospitality. I wish to thank as well Management and staff of ADB for their excellent organizational arrangements. I also take this opportunity to extend a warm welcome to Portugal as a new member of ADB, and as a new member of our constituency.

The global macroeconomic scenario is encouraging. Despite the September 11 terrorist attack a turnaround in economic activity has occurred earlier than anticipated. World output is now projected to grow at 2.9% this year and 4.1% in 2003; trade flows seem to be expanding again; financial markets are regaining confidence. However, the outlook is still characterized by downside risks related to the strength of economic recovery in the United States.

Economic prospects for the Asian countries remain favorable, with activity expected to pick up in 2002 and to gain strength in 2003. The People's Republic of China has contributed much to the growth and stability of the region, and this good performance should be reinforced by recent adherence to the World Trade Organization. Financial indicators for most of the Asian economies are quite encouraging, although significant macroeconomic and structural weaknesses still prevail. Following the 1997–1998 crises, most countries did take fundamental measures to improve their balance of payments, but structural reforms have lagged behind. Further efforts are therefore now required to speed up the process of institutional and structural reform, especially in the banking and corporate sectors. The opportunity to implement these measures in the present favorable international environment should not be missed.

As eloquently underlined by the President in his opening address, Asia is still the region with the highest concentration of poor people. ADB clearly recognizes poverty reduction as its top priority in its long-term strategic framework. The task facing ADB is a challenging one, considering that ADB can provide, on its own, only a very small percentage of the financing needs of developing member countries. It is thus essential that ADB's policies provide especially strong leverage for the development of member countries by addressing the critical constraints to the region's development over the medium and long term.

ADB has become better equipped to help member countries deal with the many challenges they face. Following the revision of its development strategies and policies in previous years, in 2001 ADB approved an internal reorganization to create a more efficient, and thus a more effective institution. We welcome these steps and encourage ADB to improve its financial and resource management, including in the area of financing of technical assistance.

We commend the recent strengthening of ADB's cooperation and coordination with other financial and development institutions. We welcome the joint efforts of ADB and other institutions in dealing with the consequences of September 11, and we praise ADB for its role in the recent initiative in Central Asia. We also welcome recent efforts made toward greater cooperation with the European Commission, and we encourage ADB to pursue this dialogue.

The reform of the multilateral development banks has been on the agenda of the international community for some time. Italy has taken a particular interest in this issue during its presidency of the G-7 in 2001 and highly appreciates the reforms undertaken by ADB. Just to name a few: the effort to improve coordination of mutual activities with various international institutions through the introduction of memoranda of understanding; the strengthening of operations evaluation activities; the new LIBOR-based lending pricing; the establishment of a special anticorruption unit, and close coordination with FATF on the anti-money-laundering front.

We believe ADB has an important role to play in fostering regional cooperation, in particular in the provision of key regional public goods. One example of great potential is in Central Asia, where there is a need to remove barriers to, and create opportunities for, economic development on a regional scale. We encourage ADB to increase its effective commitment to activities fostering regional cooperation.

There are still, however, a few areas where improvements are possible. The measurement of development effectiveness or leveraging effect of its activities is, perhaps, the most important policy issue that ADB faces today. Development effectiveness responds to the need to stretch relatively scarce resources, and encourage private and domestic investment by reinforcing institutions and practices of developing member countries. We urge ADB to concentrate energies on this issue through the newly created Development Effectiveness Committee, in close collaboration with the Operations Evaluation Department and operation services. This issue is all the more important as it is the quality, not the quantity, of financial assistance, that can distinguish ADB's activities in Asia.

Promotion of the role of the private sector in development is another very important area for the future evolution of ADB's activities. ADB should strengthen its catalytic role in the region by helping countries set up an institutional and regulatory environment favorable to private sector investments. ADB's role as "honest broker" can also facilitate the creation of public-private partnerships in a variety of sectors.

Finally, there is an urgent need to review the inspection policy of ADB. We support ADB's external consultation approach to the preparation of a working paper on the subject, and we look forward to the subsequent review.

Mr. President, I assure you of Italy's continuous support to ADB, and to the developing countries of the region as they strive to increase economic growth, improve living standards and welfare, and create conditions for sustainable development.