



ITALY

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I greatly appreciate the opportunity to address the Thirty-Seventh Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) on behalf of Italy. Let me express my thanks to our gracious host, the Government of the Republic of Korea, for its friendly hospitality. I also wish to thank ADB's staff and management for their excellent organizational arrangements. May I also take this opportunity to extend a warm welcome to Luxembourg and the Republic of Palau as new members of ADB, and stress the importance of encouraging the accession of new members.

Economic situation in the Asia and Pacific region

This meeting gives me the opportunity to first comment on the impressive performance of the Asian economies. Growth results exceeded expectations in 2003: the countries of the region have been able not only to recover from the negative consequences of the severe acute respiratory syndrome (SARS) outbreak that hit the region in the first half of 2003, but also to post a remarkable growth rate of over 7 per cent by year-end, which made it the fastest-growing region in the world.

Prospects for 2004 are also favorable, reflecting a strong domestic demand as well as a brisk export growth, within an overall stable macroeconomic and financial environment: inflation seems to be under control, current accounts are in surplus, foreign reserves are high, net private capital inflows are sustained, sovereign spreads are low.

This picture contrasts very much with what we were observing only a few years ago, in the aftermath of the financial crisis that shook an important part of the region in the late 1990s. The Asian countries that were hit by the crisis have been able to overcome its dramatic consequences thanks to the strong commitment to implement courageous structural reforms and adopt proper economic policies.

During the past 4 years, economic growth has been rapid and output has now recovered above its precrisis level. However, notwithstanding these impressive results, we are aware of the fact that more needs to be done in order to further advance structural reforms in the Southeast Asian economies.

It is a great pleasure to acknowledge that our host country has brightly succeeded in getting over the negative consequences of the crisis: the Republic of Korea today is again a prosperous economy with favorable economic prospects, based on strong experience in advanced technologies.

The People's Republic of China (PRC) and India continue to record exceptionally high growth rates. The successful transformation of these countries, as well as their integration into the global economy, will be among the major challenges in the years to come.

The PRC has become a powerful engine of growth at the regional as well as at the global level: in particular, notwithstanding a negative trade balance with the PRC, the European Union's exports have doubled in the last 4 years and reached €40 billion in 2003.

The PRC's expansion is also giving a strong impulse to intraregional trade: the increased supply of low-cost goods will entail significant dislocations in production and trade patterns of Southeast Asian countries, but it also represents an opportunity for them to expand and to become less dependent on cyclical developments in industrialized countries.

With these favorable prospects, Asian countries have the opportunity to make adjustments required to sustain growth in the longer term:

- Though fiscal stimulus has been an important element of Asia's recovery from the financial crisis of the late 1990s, there seems to be room now to limit reliance on government spending and to accelerate fiscal consolidation in some countries.
- Notwithstanding the important results accomplished so far, further efforts are still required to move reforms forward, especially in the banking and corporate sector.
- An improvement upon the present configuration of external imbalances worldwide might stem from the sustained expansion of the Asian countries. In the same direction, a greater flexibility in exchange rates would be desirable. Such policy shift would also be in Asian countries' own long-term interest.

Development and aid effectiveness

The impressive progress and the overall favorable economic environment, however, hide significant differences in performance not only among subregions and countries but also within countries.

There is a need to rebalance the concentration of resources, labor, and capital in order to avoid the worsening of the present situation: we should not forget, in fact, that almost two thirds of the world's poorest live in the region, the majority of whom are women.

Raising economic growth in the region is essential but will not be enough. Income inequality must be urgently addressed. Poverty reduction also requires more efforts to attain achievements in especially important aspects such as health, education, and good governance. Indeed, this is the core of the Millennium Development Goals.

To reach these goals in the Asia and Pacific region, stronger efforts by all stakeholders are required: first and foremost by the developing countries themselves, but also by the industrialized world and international institutions, mainly ADB.

We are aware that resources provided by ADB and other international financial institutions can act as an important catalyst, provided developing countries are ready to implement sound macroeconomic and structural policies, build good regulatory frameworks, fight corruption, and develop human capital. Nonetheless, these resources represent only a very small percentage of the financing needs of the developing countries of the region.

We know that we must do more, and the first test of our credibility is to accelerate progress toward the fulfillment of aid commitment. The successful conclusion of the Asian Development Fund (ADF) IX replenishment negotiation, to which Italy, together with other European countries, has contributed substantially, is an important achievement and testifies to our commitment to increase official development assistance.

This is the spirit of the development partnership established in Monterrey, which requires not only more aid, but also better quality of aid and a more efficient use of resources. ADB has a central role in delivering on this agenda. Let me add that the good economic outlook for the region is an opportunity for ADB to be more selective, by concentrating its activities in areas and sectors where its interventions are more efficient in terms of poverty reduction.

The role of ADB

The introduction of grants has been one of the most important innovations of ADF IX, providing a valuable instrument to better assist the poorest countries in the region. The use of these and other ADF resources has to take into account country performance and achievement of results.

We appreciate the efforts of ADB toward the introduction of a more comprehensive system for measuring, monitoring, reporting, and managing for development results. The results-oriented approach should inform all ADB activities both at the country and at the institutional level.

At the country level, country ownership remains critical, and its centrality is underpinned by the Poverty Reduction Strategy document upon which the international community has to base a coordinated planning process. The three pillars of the Poverty Reduction Strategy—pro-poor sustainable economic growth, inclusive social development, and good governance—continue to provide a sound framework for ADB development assistance and operations. ADB, together with other donors, should support recipient countries' public sector capacity building, and work toward the improvement of operation planning, financing, and performance monitoring.

At the institutional level, we attach great importance to good internal governance as a fundamental factor for development effectiveness. ADB has been responsive to the growing demand for greater efficiency, transparency, and accountability. The establishment of the new accountability mechanisms, the now independent Operations Evaluation Department, and a greater involvement of civil society, as witnessed in the ADF IX negotiation, are encouraging signs that need to be followed through and strengthened. Management of human resources is also decisive for the success of ADB's objectives and for development effectiveness.

Making ADB more effective in its fight against poverty requires, along the line of the Rome Declaration on Harmonisation, better alignment of aid policies, practices, and interventions. This implies greater and more effective coordination of ADB with recipient countries, as well as with other multilateral institutions and bilateral donors.

Finally, three areas in which we encourage ADB to stay committed and strengthen its support are the following:

- helping developing countries to improve their business environment; to promote small and medium-sized enterprises and, more generally; and to strengthen the private sector, which remains the driving force of economic growth and development;
- maintaining the focus on the environment in a region that suffers from serious degradation; and
- collaborating actively with the other international institutions in the fight against money laundering and terrorist financing, in the context of the ADB's mandate to promote good governance in the countries of the region.

Conclusion

I am confident that our dialogue will contribute to the fulfillment of the ADB mandate. Let me finish by congratulating the President for his leadership in guiding ADB in the fight against poverty in the region and for the success of the ADF IX replenishment. May I assure you of Italy's continued support along this path.