

**MALAYSIA****NOR MOHAMED YAKCOP, Governor ad interim**

It is indeed an honour for me to be able to address this auspicious gathering. On behalf of my Government and the Malaysian delegation I would like to extend our deepest appreciation to the Government of the Republic of Korea and the people of Jeju for the fine arrangements in ensuring a warmth and successful 37th Annual Meeting of Board of Governors of the Asian Development Bank (ADB).

The growth momentum that started in the middle of 2003 has followed through into 2004. Globally the economy is expected to expand at about 4.0%, which is slightly higher than the 3.2% growth attained in 2003. The economic optimism in 2004 is shored up by the expected strong growth in the United States (US) economy, underpinned by strong private consumption and a recovery in private investments. The economic growth in Japan is expected to be sustainable and is estimated to attain a growth rate of 3.5% in 2004 compared to 2.7% in 2003. The People's of Republic of China (PRC) has become a new economic driving force in the region, and its immense appetite has contributed to the growth of many countries in the region. The probable factors that may slow down economic growth in 2004 are the higher energy prices and the intention of the PRC to rein in its strong economic growth in 2004 for a soft landing in order to avoid an overheating of its economy. The political unrest in the Middle East and Asia may also dampen economic growth.

The expectation of strong global economic growth is most welcomed as it is only under such conditions that we will be able to check, control, and roll back the cancerous disease called poverty, our common enemy.

Since its inception and until today ADB together with its 63 member countries have always focused on the elimination of poverty as the ultimate objective. For the year 2003, ADB has indeed continued to take concrete steps to reduce poverty and improve the living standards in regional member countries. ADB was able to increase ordinary capital resources (OCR) and Asian Development Fund (ADF) lending by 9% from USD5.6 billion in 2002 to USD6.1 billion in 2003. However, a less encouraging development is the continuous decline in lending through the concessional ADF window, which registered a drop of 16% in 2003. The decline is serious because it means the more deserving member countries are getting less financial assistance. I urge ADB to look into this matter as it may have undesirable repercussions. There is a substantial increase in co-financing of about 29% amounting to USD2.4 billion in 2003, which represented about 40% of ADB's total lending. In going forward, this financing modality should be given more emphasis because ADB can spread its assistance programs on a wider scale.

ADB must be commended for its assiduous efforts in introducing new strategies, enhancing on-going collaborative efforts, and continuously reviewing its management and assessment methodologies and staffing requirements in order to be able to improve its delivery system for the benefit of the regional member countries. ADB's new accountability mechanism, established in 2003 as a result of a review of its Inspection Function Policy, is most welcomed because it provides a channel to address in a fair and proper manner the concerns of persons affected by ADB-assisted projects. This accountability mechanism will certainly improve project quality and enhance development effectiveness.

The on-going collaboration efforts with other multilateral development banks (MDBs) to streamline, coordinate, and harmonize their operations to produce synergies for the benefit of their respective regional member countries have indicated that MDBs have begun to work on a partnership approach to implement projects. However, more works need to be done to remove obstacles, harmonize procedures, enhance project implementation methodologies and working relationship to turn good intentions and strategic alignments into reality. There should be less rhetoric. Instead the MDBs should spent more time on project implementation for the benefit of the people.

The review of Bank's Poverty Reduction Strategy in 2003 not only serves to re-emphasize ADB's overarching goal of poverty reduction but its emphasis on being more country focus and build its programs around national development frameworks and poverty reduction priorities is most appropriate because ADB's projects and programs will then take into account localized sensitivities, capabilities and capacities. The ADB-assisted projects can then effectively complement projects implemented nationally.

The proposal to reduce the cost of OCR borrowing from ADB is an excellent idea because such debt servicing dividend, just like the "cold war dividend" will release funds for its borrowing member countries to finance other national development projects.

Regional cooperation is an effective development strategy that should be promoted by ADB due to its inherent synergies. The on-going initiatives for Indonesia-Malaysia-Thailand Growth Triangle (IMTGT), the Brunei Darussalam-Indonesia-Malaysia-Philippines East Asia Growth Area (BIMP-EAGA), and Greater Mekong Subregion (GMS) are examples where member countries can work together to bring about development, job creation and improvement in local income levels. The other equally important benefits derived from regional cooperation are social and cultural interaction that can bring about peace and political stability, a pre requisite for sustained economic development and the attraction of foreign investments. More regional development centers can be developed and I would like to urge ADB to play a more proactive role by evaluating such possibilities and the promotion of such development centers among the regional member countries.

In order to function effectively, ADB needs the continuous support of its non-regional member countries. In this connection, we are pleased that the deliberations on

ADF Replenishment have been successfully concluded a few days ago. I would like to urge all the contributing member countries to make their contributions as planned so that the business of project implementation and poverty reduction agenda of ADB can proceed uninterrupted under the ADF concessional lending and grant window.

Malaysia has benefited tremendously from its association with ADB. We have received assistance in all sectors of the economy amounting to about USD2.0 billion. We believe in a "giving back" policy so that others can also be helped to exit from the poverty cycle. Malaysia is willing to have discussions with ADB in order to assess the manner in which Malaysia can provide assistance to its regional member countries. We have pledged to renew our support to the ADF, albeit on a modest scale. We are ready to provide additional assistance through human resource development programs which, based on our experience, is crucial for the attainment of sustained growth.

The Annual Meeting of Board of Governors has always served as a platform to renew our commitment and cooperation to explore ways and means to alleviate poverty. It is going to be a long and time consuming process, but we shall prevail.

To conclude I, on behalf of the Malaysian delegation, would like to once again express our sincere appreciation to the Government of the Republic of Korea and especially the people in Jeju for their tireless efforts and warm reception in making the 37th Annual Meeting of Board of Governors a memorable one. I would also like to commend Mr. Tadao Chino, the President, and ADB's Directors, management, and staff for ADB's excellent performance and achievements in 2003.