

**SWITZERLAND****ADRIAN SCHLAPFER, Alternate Governor**

I would like to extend my deepest thanks to the Government of the Republic of Korea as well as the authorities and people of Jeju Island for their warm welcome and excellent arrangements for these meetings on this beautiful and heavenly island. Let me also extend my welcome to Luxembourg and the Republic of Palau as the newest members of the Asian Development Bank (ADB).

Last year the world's fastest-growing and most dynamic economies were yet again to be found in Asia. Having achieved an aggregate gross domestic product (GDP) growth rate of 6.3% in 2003, and projected to grow at annual rates of around 6.8% over the next two years, the countries of the region have provided indisputable evidence that the Asian economic miracle—after a painful interruption—is alive and kicking. This is good news for our business—i.e., to help our clients create an Asian and Pacific region free of poverty. Let us not forget: in a few short decades, hundreds of millions of people have been lifted out of abject poverty by a combination of hard work, sound policies, the benefits of open trade, and external assistance by, among others, this bank.

Far from providing an excuse to be complacent, this basic fact—by demonstrating that substantial progress is feasible—should encourage us all to pursue the fight against poverty with enhanced vigor. Indeed, even though poverty incidence has declined considerably in the region, over 700 million people still live in absolute poverty in Asia. Moreover, progress in reducing poverty has been uneven. Hence, whereas the region as a whole is on track to reach the Millennium Development Goal (MDG) of halving absolute poverty by 2015, a number of countries in the region are falling behind. In addition, the region's rapidly growing middle-income countries still have large pockets of poverty and are facing a worsening income distribution. Finally, the region's track record on the non-income dimensions of poverty is far less impressive, calling into question the likelihood of achieving the non-income MDGs.

**Moving Ahead, Together**

What must be done to advance towards the achievement of our common goals? I would first like to address the Governments of the region whose decisions and actions will to a large extent make the difference between success and failure. The current favorable economic environment offers a unique opportunity for accelerated reform. I would hence like to encourage the Governments of the region to address the fragility of banking and strengthen financial markets, implement structural reforms to improve the investment climate, take measures to enhance the efficiency of the public sector, and adopt socially inclusive policies to cope with the rapidly growing income inequalities.

The region's growth prospects remain closely linked to global developments. It is in this context that the industrialized countries should and can make an important contribution. They must seek to consolidate growth by reducing external and fiscal imbalances and addressing potential economic risk and vulnerability. In doing so, they must realize that developing Asia is an intrinsic part of the adjustment process. In addition, the industrialized countries must deliver upon their free trade commitments, in particular to improve market access and phase out distorting agricultural subsidies.

The Global Monitoring Report recently discussed by the Development Committee confirmed the important role of international financial institutions (IFIs) in accelerating progress towards the MDGs. In the Asian context this role falls to ADB. Yet given the discrepancy between the region's challenges and the resources at its disposal, ADB must strive to improve its development effectiveness in order to remain a relevant development partner. Hence the need for our bank to do the right things, and to do those things right!

### **Doing the Right Things...**

Over the past years, ADB has come a far way in doing the right things. A few years ago ADB adopted a Poverty Reduction Strategy to guide its interventions. As the recent review of the strategy has shown, its main pillars remain relevant. ADB is also increasingly aligning its country programs with the national poverty reduction strategies and is reorienting its operations towards the achievement of the MDGs—a process decisive for leveraging national efforts and achieving development impacts. Moreover, ADB has proven on various occasions that it can address urgent needs of its clients promptly and in a flexible manner. In this respect I would like to commend ADB for its swift and effective assistance to various countries emerging from conflict situations.

Doing the right things means to be selective. In this regard I would like to highlight three areas which in my view are of particular importance to ADB. To begin with, I would like to commend ADB for its ongoing support to regional cooperation, in particular in Central Asia and the Mekong. Given the political sensitivities involved in fostering regional cooperation, our bank clearly has a comparative advantage in this area. I would also like to underline that the relevance of regional cooperation is bound to grow in line with the region's deepening interdependence.

Moreover, I would like to praise ADB for its continued efforts to reinforce its role in the private sector. Last year ADB adopted new financial instruments and approaches such as local currency lending and trade finance facilitation. I welcome ADB's ongoing commitment to innovate and to increase its lending volumes for private sector operations. Nevertheless, the amount of resources ADB can mobilize for the private sector is limited, in particular when compared to the huge amount of private capital pouring into the region. Against this background, and in line with its core competence in the public sector, ADB needs to step up its efforts to help improve the investment climate and business environment of the region. In doing so, it must ensure close coordination with other IFIs.

Finally, ADB adopted last year a new policy that enhances its role in combating money laundering and the financing of terrorism. I strongly welcome this important policy which places ADB's activities against money laundering and the financing of terrorism within the broad context of its poverty reduction work and seeks to complement rather than duplicate programs of other agencies. This is an issue which concerns and affects us all. In this respect I would like to underline that Switzerland has over the past decades invested considerable efforts to strengthen the integrity of its financial sector. These efforts have not gone unnoticed by the financial community and have earned the highest grades both from the Financial Action Task Force (FATF) of the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) in the context of its Financial Sector Assessment Program (FSAP) of Switzerland. In this spirit Switzerland is also actively engaged in helping other countries reinforce the integrity of their financial sectors, in the region for example in the Central Asian republics.

### **...And Doing Those Things Right**

Managing for Results is crucial for any international organization aspiring to do the things it does right. I take note with satisfaction that ADB is committed to improving its results-focus and has made some progress on this front last year. In this respect I would like to commend ADB for enhancing the independence of the Operations Evaluation Department (OED) and for creating a results management unit. I also appreciate that ADB has initiated an independent review of its reorganization and is currently preparing a new Human Resources Strategy. Last but not least, I strongly welcome ADB's approval of the new accountability mechanism. I am convinced that the new mechanism will not only strengthen the accountability of ADB and enhance its capacity to address grievances of project-affected people, but also improve project quality and safeguard its reputation with respect to the outside world. As such I invite all shareholders to regard the new accountability mechanism as an asset rather than a risk.

Yet ADB still needs to do a lot to become a truly results-oriented and efficient organization. ADB must continue to improve the evaluability of its country programs and operations by developing results indicators and introducing clear baseline data. It must strengthen its accountability by ensuring that everybody at ADB—both Management and staff—has clearly defined roles and responsibilities. An updated Information Disclosure Policy would also serve to enhance ADB's accountability. Moreover, I strongly expect that the new Human Resources Strategy will make concrete suggestions on how staff incentives can be reoriented to reward achievement of measurable development outcomes rather than lending targets.

Two other issues merit special attention. First, I urge ADB to continue to decentralize its operations and empower its resident missions. A further delegation of responsibilities, including analytic work, to the resident missions is required to strengthen project implementation and coordination in the field. Such a delegation is also important to strengthen their role in implementing Managing for Results at the developing member country (DMC) level. Second, ADB must find ways to ensure an adequate level of funding for its Technical Assistance (TA) operations. TA plays a key role in improving

efficiency, driving policy reform, and strengthening institutions—all of which are crucial for implementing ADB's increasingly complex poverty reduction agenda.

### **Reinforcing the Reform Agenda: ADF-IX Negotiations**

I would like to close my speech with some remarks on the recent conclusion of the Asian Development fund (ADF) IX replenishment negotiations. First of all, I would like to express my gratitude to President Tadao Chino for making a number of important reform commitments and for duly following up on their implementation. Indeed, we regard these reforms as an important step towards the introduction of a results-oriented culture at ADB. I would also like to thank the Chairperson of the ADF-IX negotiations, Madame Labelle, for skillfully guiding the discussions through at times troubled waters, ADB Management for their responsiveness, and last but not least all the ADF Deputies for their tireless engagement and commitment.

Both regional and non-regional Donors have underlined their commitment to ADB and the Asia-Pacific Region by agreeing on a US\$7 billion total replenishment of the ADF. In my eyes the most important and tangible outcomes of these negotiations are the strengthening of the Performance-Based Allocation Policy, an Action Plan on Managing for Results, and the introduction of grants. Of course, opinions diverged on many issues, with much controversy surrounding the proposal to introduce grants. Yet in the end I am convinced that what has been discussed and decided upon in these negotiations will enhance the development effectiveness of our bank. In this spirit I call upon all shareholders of ADB to endorse the outcome of these negotiations.