SUMMARY OF PROCEEDINGS
5–7 May 2007
SUMMARY OF PROCEEDINGS

Asian Development Bank
INTRODUCTORY NOTE

The Fortieth Annual Meeting of the Board of Governors of the Asian Development Bank was held in Kyoto, Japan, from 6 to 7 May 2007.

This Summary of Proceedings of the Meeting is presented in accordance with the provisions of Section 9 of the Rules of Procedure of the Board of Governors.

JEREMY H. HOVLAND
The Secretary
Asian Development Bank
July 2007
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Summary of Proceedings of the
Fortieth Annual Meeting of the Board of Governors

The Fortieth Annual Meeting of the Board of Governors was held in the Kyoto International Convention Center, Japan, from 6 to 7 May 2007.

The Honorable Koji Omi, Minister of Finance of Japan, addressed the opening session on 6 May 2006, followed by the President of the Asian Development Bank (ADB), Mr. Haruhiko Kuroda.

The Governor for Japan, the Honorable Koji Omi, chaired the Meeting. The Governor for Samoa, the Honorable Nickel Lee Hang, and the Head of Delegation for Spain, David Vegara Figueras, served as Vice-Chairs.

Procedures Committee for 2006/2007


Agenda

The Board adopted the Agenda, as circulated.

Annual Report for 2006

The Board noted the Annual Report of the Board of Directors for 2006.

Financial Statements and Independent Auditors’ Reports

The Board approved the audited Financial Statements of ADB for 2006, which included separate financial statements for the operations of Special Funds (Resolution No. 325).

Allocation of Net Income

The Board adopted Resolution No. 326 and resolved that, of the net income of ADB from its ordinary capital resources for the year ended 31 December 2006 amounting to $565,886,420, after appropriation of guarantee fees of $4,169,172 to the Special Reserve, (a) $138,478,782, representing the FAS 133 adjustment at 31 December 2006, be added from the Cumulative Revaluation Adjustments account; (b) $52,000,000 be allocated to Loan Loss Reserve; (c) $286,182,601 be allocated to Ordinary Reserve; (d) $286,182,601 be allocated to Surplus; (e) $40,000,000 be allocated to Asian Development Fund; (f) $40,000,000 be allocated to the Regional Cooperation and Integration Fund.
Budget for 2007


Resources of ADB

The Board noted the report of the Board of Directors on the resources of ADB.

Review of Rules and Regulations

The Board noted a report of the Board of Directors on the Review of Rules and Regulations, which highlighted (i) Amendments to the Statute of the ADB Administrative Tribunal, (ii) Amendments to the Procurement Guidelines, (iii) Amendments to the Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers, and (iv) Adoption of the Code of Conduct and the Ethics Committee and Procedures for Directors, Alternate Directors and the President.

Place and Date of Forty-First Annual Meeting

The Board adopted Resolution No. 327, which provides that the Forty-First Annual Meeting of the Board of Governors be held from 5 to 6 May 2008 in Madrid, Spain.

Election of Chair and Vice-Chairs of the Board of Governors

The Board elected the Governor for Spain as Chair of the Board of Governors and the Governors for Viet Nam and Federated States of Micronesia as Vice-Chairs, to hold office until the close of the Forty-First Annual Meeting.

 Procedures Committee for 2007/2008

The Board appointed the Procedures Committee for 2007/2008 composed of the Governors for:

Australia  Ireland  Singapore
Austria  Japan  Spain
Bangladesh  Pakistan  Sri Lanka
People’s Republic of China  Samoa  United States of America

The Board appointed the Governor for Spain as Chair of the Procedures Committee for 2007/2008.
Appreciation

Governors expressed their appreciation of the warm hospitality extended by the Government and the people of Japan on the occasion of the Fortieth Annual Meeting.
Schedule of Meeting*

Sunday, 6 May
- 10:00 a.m. - Opening Event
- 10:40 a.m. - Opening Address
- Address by the Chair
- Address by the President of ADB
- 11:45 a.m. - Adjournment
- 2:30 p.m. - Report of the Procedures Committee
- 5:00 p.m. - Adjournment

Monday, 7 May
- 9:30 a.m. - Statements by Governors
- 11:30 a.m. - Adjournment
- 2:30 p.m. - Statements by Governors
- Report of the Procedures Committee (Continuation)
- Remarks by the Chair-Elect
- Closing Remarks
- 4:30 p.m. - Closure

* Seminars and other activities were held throughout the day from 4 to 7 May.
Provisions Relating to Conduct of Meeting

Admission

1. Sessions of the Board of Governors of ADB will ordinarily be open to advisers of member delegations, accredited observers, guests, media, nongovernment organizations, the Meeting secretariat and ADB staff.
2. Meetings of the Procedures Committee shall be open to Governors who are members of the Committee and their advisers, and others as may be considered necessary by the Chair of the Committee.

Order of Speaking and Records

3. The Chair of the Board of Governors will establish the order of speaking at each session. Governors desiring to speak will generally be recognized in the established order of speaking.
4. To give all Governors the opportunity to speak in the limited time available, Governors are expected to keep their oral statements short. In cases where a longer statement is considered necessary, Governors may provide The Secretary with the full text for the record and for distribution to all participants.
5. Messages or statements by observers may be brought to the attention of the Meeting by circulation through the Office of the Secretary.
6. The Secretary will keep a Summary Record of the Proceedings of the Meeting, which will be made available to members as soon as possible after the Meeting.

Procedures Committee

7. The Secretary will keep a record of the proceedings of the Procedures Committee. This record will be confidential and available only to the Chair and members of the Committee and the President of ADB.
8. The Report of the Procedures Committee shall be signed by the Chair of the Committee and the Reporting Member.

Public Information

9. The Chair of the Board of Governors and the President of ADB may communicate to the media such information concerning the proceedings of the Meeting as they may deem suitable.
Agenda

1. Annual Report for 2006
2. Financial Statements and Independent Auditors’ Reports
   a. Ordinary Capital Resources
   b. Special Funds
3. Allocation of Net Income
4. Budget for 2007
5. Resources of ADB
6. Review of Rules and Regulations
7. Place and Date of Forty-First Annual Meeting
Addresses
Opening Address by the Chair of the Board of Governors and Governor for Japan

THE HONORABLE KOJI OMI

Introduction
As governor of the host country for this 40th Annual Meeting of the Asian Development Bank, I am highly honored to welcome all of you to Kyoto. I especially welcome the delegations from Ireland and Georgia, which have become new members of ADB.

I am glad that Mr. Kuroda was reappointed as President last November, winning the confidence of all members for his strong leadership in managing the Bank.

Kyoto presents various faces—it is an ancient city, an academic city, and a city where traditional industries and advanced science and technology industries co-exist. Hence, it is an appropriate place to discuss the future of Asia, which has developed against the background of a long history and various cultures. In addition, Kyoto has prospered together with nature since it became the capital of Japan about 1,200 years ago. For this reason, it is very significant to hold the commemorative 40th annual meeting of ADB in this city and discuss how sustainable development can co-exist with the global environment.

The Japanese Government and the people of Kyoto worked together in making preparations for this meeting. This meeting could not have been held without the cooperation of many Kyoto citizens. As the chair of this meeting, I would like to extend our sincere gratitude to the citizens of Kyoto for their warm hospitality.

Overview of the regional economy
Looking back to 40 years ago, ADB was established based on the desire for independence and the spirit of solidarity among the countries of the Asia-Pacific region. Together, they worked hard to carve out the destiny of the Asia-Pacific region for themselves, with the strong cooperation of advanced countries outside the region.

Since then, the Asia-Pacific region has overcome many economic difficulties, firmly establishing its position as one of the growth centers of the global economy. ADB has supported the improvement of the economic and social infrastructure in its developing member countries, and has greatly contributed to reducing poverty in the region.

In Japan, ADB held its annual meeting in Fukuoka in 1997, exactly 10 years ago. Soon thereafter, a financial crisis hit the region and caused great hardship in many Asian countries, which has been deeply etched in our memories. But through the efforts of the countries that suffered from the financial crisis, and with the support extended by the international community, including ADB, the Asian economy began to grow once again, restoring the Asia-Pacific region...
to its position as a global growth center. In 2006, the developing countries in the Asia-Pacific region achieved high growth of more than 8% on average.

**New challenges for the region and the role of ADB**

As I have just illustrated, the economy in the Asia-Pacific region has continued to grow rapidly in recent years. However, there are still about 600 million people living in poverty in the region and poverty reduction remains an important item on the agenda.

At the same time, we are now facing some new challenges in order to sustain the robust growth into the future. ADB is expected to play an increasingly greater role in assisting regional countries’ efforts to overcome these new challenges.

Today, I would like to highlight three major new challenges confronting the region, namely, promoting investment, tackling climate change, and facilitating cooperation in science and technology.

**Investment promotion**

As the first challenge, further promotion of investment is necessary to ensure sustainable economic growth into the future. Given the limited availability of public funds, it is essential to promote private investment. This requires long-term and wide-ranging measures.

To mobilize private investment in the region, construction of basic infrastructure is urgent because deficiencies in this respect are major bottlenecks for investment. It is also important to facilitate the investment climate, capacity building, and good governance.

ADB is expected to play a number of roles to promote further investment in the region.

First, ADB should continue to play a central role in infrastructure construction by extending loans to developing countries.

ADB should also support the efforts of developing countries to improve the investment climate. ADB should make full use of its accumulated knowledge and its position, which enables close dialogue with developing countries, and support these countries to build policy frameworks to facilitate their investment climates.

Given the private sector’s expanded role, ADB should improve its catalytic function to facilitate the inflow of private funds. In this context, I would like to stress the significance of the Asian Bond Markets Initiative that aims to channel regional private savings into regional investments. I believe that the new proposals under the initiative, such as Exploring New Debt Instruments for Infrastructure Financing, will help to promote regional investment.

Furthermore, connecting regional economies with each other and developing an open economic area will facilitate investment. Since the 1990s, as a regional development bank, ADB has taken the lead in promoting regional integration initiatives, such as the development of the Greater Mekong Subregion. ADB is expected to further promote regional cooperation and integration in the fields of infrastructure, trade, finance, and public goods.
Climate change

I now would like to turn to the second challenge. Even if we can ensure robust economic growth into the future by promoting further investment, it is essential to make the economic growth co-exist with the global environment. In particular, climate change is an imminent challenge.

With Asia’s role in the world economy growing, CO$_2$ emissions from Asia are having an increasing environmental impact. At present, Asia accounts for about 30% of global energy consumption. Asia’s energy consumption in 2030 will have doubled from its current level. More efficient use of the energy and the reduction of CO$_2$ emissions in Asia are necessary for achieving sustainable growth not only in the region, but also in the world.

What should we do to resolve this problem?

First, I would like to stress the importance of creating a framework beyond the Kyoto Protocol. The Kyoto Protocol covers only about 30% of total current CO$_2$ emissions in the world. This ratio is projected to decline further as emissions from developing countries increase, especially in the region.

We should address the problem of CO$_2$ emissions based on the understanding that this is our common agenda to ensure the continued existence of humankind. In this context, it is important to go beyond the Kyoto Protocol to create a new, practical and effective framework in which all countries, including the United States, the People’s Republic of China, and India, will participate.

In this regard, Prime Minister Abe and President Bush have agreed recently on the commitment of Japan and the United States to the ultimate objective of stabilizing greenhouse gas concentrations, and to further explore the steps forward to this objective. Also, at a meeting with Chinese Premier Wen Jiabao, Prime Minister Abe stressed the importance of reducing greenhouse gas emissions and the construction of an effective framework beyond the Kyoto Protocol, and both sides agreed to cooperate.

Second, it is also necessary to promote alternative energy sources. Among other things, the use of nuclear energy, under strict conditions of safety and non-proliferation, can be a key solution for the climate change problem. Renewable energy sources also should be further developed.

Third, it is crucial that the countries in the region make full efforts to promote energy efficiency. Each country should recognize the issue as their own challenge, and take measures to address it. Among other things, establishing legal and regulatory systems such as energy efficiency laws might be important to promote energy savings.

ADB should play a vital role in supporting efforts of the member countries to achieve energy efficiency. For example, ADB can provide financial resources to projects that facilitate energy efficiency. At the same time, as a knowledge bank, ADB should support the creation of developing countries’ regulatory frameworks for energy efficiency as well as capacity building through technical assistance and policy dialogue.
Cooperation in science and technology

Innovation in science and technology will enhance our efforts to address important challenges such as striking a good balance between economic activity and environmental protection, improving living standards by enhancing productivity, and supporting poor people in developing countries. Joint research between developed and developing countries and capacity building in developing countries will make a crucial long-term contribution to the prosperity of humankind.

I am convinced that such an approach will provide a “win-win” solution to both developed and developing countries. In this regard, I believe it may be worthwhile to direct a portion of official development assistance to cooperation in research activities and capacity building in science and technology. In order to develop this idea into a more specific form, Japan intends to give it further thought in the coming months.

I also believe it would be appropriate for ADB to place more emphasis on science and technology. This will give a new wing to the bank in supporting the developing countries in the region.

Japan’s initiative

I now would like to announce a new initiative of Japan to address the new challenges of promoting investment and tackling climate change through energy efficiency.

Japan will implement an initiative called Enhanced Sustainable Development for Asia (ESDA). This initiative supports the efforts by the developing countries in the region and ADB to overcome these challenges.

The first pillar under ESDA will be enhanced cooperation between the Japan Bank for International Cooperation (JBIC) and ADB in the areas of investment promotion and climate change. More concretely, a joint implementation plan will be established between ADB and JBIC. Yen-denominated loans of up to $2 billion will be extended through JBIC over 5 years under the joint plans. Moreover, a new scheme—Accelerated Co-Financing scheme with ADB (ACFA)—will be introduced to enable more rapid implementation of yen-denominated loans through closer linkage between JBIC and ADB.

As the second pillar, Japan will establish two funds in cooperation with ADB, namely, the Asian Clean Energy Fund and the Investment Climate Facilitation Fund. Japan will contribute up to $100 million through these two funds in order to support such Japan–ADB cooperation as well as ADB’s assistance in these areas.

I expect this initiative will help ensure sustainable economic development in the region.

Conclusion

I would like to commend ADB for its tremendous achievements in the past 40 years, and to encourage ADB to continue playing a central role in regional development under the leadership of President Kuroda, so that the region will truly enjoy lasting prosperity and peace.
Japan has been a strong partner in the development of the Asia-Pacific region. Japan is firmly committed to continuing in this direction.

Together, we have worked hard for 40 years to achieve a great success. However, much remains to be done, and we cannot be complacent. Let us keep going for a brighter future.
Prosperity with Inclusiveness, Growth with Sustainability: A Shared Aspiration for Development

I am delighted to join the Chair, the Honorable Koji Omi, Minister of Finance of Japan, in welcoming you to the 40th Annual Meeting of the Board of Governors of the Asian Development Bank.

We are honored by the presence of the Honorable Keiji Yamada, Governor of Kyoto Prefecture, at our gathering this morning. I would also like to extend a warm welcome to our new member countries, Georgia and Ireland. And thank you all for being here today.

It is fitting that we meet this week in Kyoto, a city that so gracefully blends the old Asia and the new; in Japan, the birthplace of Asia’s reemergence in the world economy. I would like to take this opportunity to thank the Government of Japan for its continued commitment to Asia and ADB, the City of Kyoto for hosting us with excellent arrangements, and the people of Kyoto for warmly welcoming us to celebrate the 40th Annual Meeting of the Asian Development Bank.

Asia’s Achievements and ADB’s Role

In the closing session of ADB’s inaugural meeting in November 1966, our first President, Mr. Takeshi Watanabe, said:

“...The time has come to roll up our sleeves and prepare to cultivate this era of self-discipline. From the seeds of this sacrifice will surely spring the fruits of economic prosperity.” ADB’s founding fathers had a vision: to contribute to the acceleration of economic development in the developing member countries, collectively and individually. And in partnership with member countries in and outside the region, we at ADB have put that vision into action.

Let me take this opportunity to thank Governors from all our member countries for their ongoing support to ADB. Your cooperation is crucial now and in the future to continue our shared journey toward an Asia and the Pacific free of poverty.

These seeds planted 40 years ago have flourished, bringing tremendous benefits to the people of Asia and the Pacific. Per capita income in developing Asia, in real terms, has grown from less than $170 in 1967 to over $1,000 in 2005. During a similar period, average life expectancy has risen from 53 years to more than 67. In 1990, more than one third of the region’s people still lived in absolute poverty. Now, fewer than one in five.

These are truly impressive achievements. And we can be proud of the role ADB has played in Asia’s success.

Together, we have funded infrastructure to connect people with jobs, provide electricity for homes and factories, and water for farms and families.
We have helped build appropriate systems for public economic management, finance, and governance. We have invested in health, education, social services, and the environment to help the poorest in the region attain a better quality of life.

Today in Uzbekistan, disadvantaged schoolchildren are using modern textbooks at low cost through an innovative rental scheme developed by ADB. In Bhutan, electricity has transformed the lives of 20,000 rural families, giving them better access to job opportunities, health care, and education. In Afghanistan, ADB's assistance is helping extend mobile phone service to more than one million subscribers—a technology with the potential to revolutionize the lives of the poor.

**Key Challenges Ahead**

Despite impressive progress, we cannot be complacent. Increased inequality across the region, and within individual countries, threatens social cohesion and puts at risk the process of growth itself. As I noted last year in Hyderabad, ours is increasingly a region of two faces—the shining Asia of vitality and wealth, and its shadows, where desperate poverty persists.

As you recall, last year I commissioned a group of eminent persons to provide their insights on the region's future. I take this opportunity to extend my deep gratitude to the Eminent Persons Group for its thoughtful report.

The vision of Asia as articulated in the report is one I share—the vision of an Asia and the Pacific fundamentally transformed. An Asia and the Pacific with new challenges to tackle—no longer arising from pervasive poverty, but instead from economic success.

To achieve that vision, however, we must ensure that Asia’s future development is development that benefits all. In my mind, there are two fundamental principles that should guide us in our shared aspiration for development: prosperity with inclusiveness—and growth with sustainability.

**Prosperity with Inclusiveness**

Prosperity with inclusiveness means reaching out to the 620 million Asians who still live on less than $1 a day, and indeed raising the bar to encompass the 1.9 billion who have less than $2 a day. This will require sustained growth—broad-based growth that generates jobs and raises incomes by absorbing the surplus labor of the poor.

To create jobs for the hundreds of millions of unemployed and underemployed Asian people, governments must create an environment that nurtures the growth of the private sector—an environment characterized by macroeconomic stability; sound institutional, legal, and regulatory frameworks; good governance and rule of law; and well-functioning financial and capital markets.

Prosperity with inclusiveness also requires modern, reliable, and well-managed infrastructure—both the hardware and the associated software—to lay the foundation for inclusive growth, support private sector development,
and provide better access to job opportunities for the poor. We see this in Savannakhet Province of the Lao People’s Democratic Republic, where improved infrastructure and connectivity under ADB’s Greater Mekong Subregion program helped boost investment and employment opportunities. In the process, the incidence of poverty in the province has been reduced by more than one third in recent years.

And prosperity with inclusiveness requires investment in human and social development to reduce disparities and expand the circle of opportunity to the poor. These widening disparities are associated with telling social disadvantages. In some Asian countries, technological centers of excellence coexist with primary and secondary schools with dismal literacy attainments. The region today has more girls out of primary school, more tuberculosis deaths, and more people without access to clean water than sub-Saharan Africa, Latin America, and the Caribbean combined.

Quite obviously, to address problems of exclusion, we will need to focus more intensely on enhancing the capabilities of the poor. Providing access to health, education, and social safety nets is not only the right thing to do—it’s also the smart thing to do. It is the only way to give poor people the tools they need to effectively participate in, and benefit from, the process of economic development.

**Growth with Sustainability**

To achieve prosperity that benefits all, we must use our natural resources wisely so that the poor do not bear the brunt of the environmental impacts of growth. We must begin to take seriously the concept of growth with sustainability.

Over the last three decades, Asia’s energy consumption has grown by 230%, and it is expected to double again by 2030. As a result, Asia now accounts for nearly one quarter of the world’s greenhouse gas emissions—the leading cause of climate change. As the environmental balance worsens further, the poor are the hardest hit—losing health and income to intense floods, droughts, rising sea levels, and increased heat-related and infectious diseases.

Asia needs energy—to fuel industrial growth, to support its burgeoning megacities, and to spread production and income opportunities into rural and remote regions. But growth with sustainability demands cleaner technologies, new alternative energy sources, and more efficient energy use. It demands new mechanisms—such as ADB’s Carbon Market Initiative—to help Asian economies develop by capturing the benefits of the $30 billion-a-year global carbon market. These efforts will benefit not only Asia but also the entire world by mitigating climate change and easing pressure on global energy supplies.

Growth with sustainability also means halting inefficient irrigation practices, deforestation, soil pollution, and other forms of land mismanagement that rob the poor of their livelihoods. It means better urban planning, and incentives to curb the release of air and water pollutants from cars and factories.
Above all, it means seeing our environmental responsibilities not as a cost, but as an investment in the future. As the impacts of climate change and environmental degradation reverberate across the world, they can only be tackled in partnership. Here in this building, where world leaders adopted the Kyoto Protocol 10 years ago, let us commit to work together as a true global community, to share development experiences, to collectively shoulder the burden, and to create a cleaner and more sustainable future for all.

**ADB in Action**

A dramatically transformed Asia will also require an equally transformed development partner in ADB. Our challenge will be to define how we will make that transition.

Our process of change has already begun through our Medium-Term Strategy, MTS II. And we will be deepening our work on this very important issue as we review our Long-Term Strategic Framework, a process I initiated soon after receiving the report of the Eminent Persons Group.

It is clear, however, that ADB has unique strengths that can be put to use now, and in the future, to help create prosperity with inclusiveness and growth with sustainability. Let me touch on three key areas.

**Regional Cooperation and Integration**

First, many of Asia’s issues need to be tackled at a regional level. Through greater cooperation, economies affected by the financial crisis of 10 years ago have emerged stronger, with new tools to prevent such a crisis from recurring. Subregions across Asia and the Pacific are integrating their borders and sharing resources, including energy, to create a win-win situation for all.

The successful conclusion of the Second East Asia Summit last January sent a powerful message about the heightened desire of Asia’s leaders to bring the vision of a vibrant, Pan-Asian economic community to fruition. Thus, ADB will continue to provide finance, capacity development, and expertise to facilitate and intensify regional cooperation and integration. This, in turn, will promote economic convergence at higher rates of growth, and provide a means to collectively tackle environmental threats, natural disasters, communicable diseases, and other crises that defy national borders.

I want to convey my appreciation to our shareholders for their support of our Regional Cooperation and Integration Strategy, as well as the Facility to support it. The strategy calls for collaborative action on four mutually reinforcing pillars: cross-border physical connectivity, trade and investment, money and finance, and the provision of regional public goods.

I am confident that accelerating regional cooperation and integration will profoundly change the region’s social and economic landscape for the better, heralding a new era of hope and prosperity.
Mobilizing and Intermediating Financial Resources

Second, Asia’s future development requires new approaches to mobilizing and intermediating the region’s large savings, as well as global investor funds, to sustain growth and attain the Millennium Development Goals. We now estimate infrastructure requirements alone for Asia and the Pacific to amount to more than $3 trillion over the next 10 years. We need to think seriously about ways to effectively use Asia’s rapidly increasing savings to meet this huge infrastructure gap.

Developing the region’s capital markets is a crucial area that ADB has long supported. In 2006, for example, we launched the $10 billion Asian Currency Note Program, an innovative tool that provides a single unified platform for bond issuers in the region, setting an important milestone for deepening and integrating the region’s bond markets.

Equally important is to bring together the right partners at the right time to invest funds, enhance public–private partnerships, share risks, and mutually reap the benefits of higher levels of synergy. We need to make the greatest impact possible with limited resources. For example, in the last two years, through our Multitranche Financing Facility, we made available an amount of $5.3 billion, which can be drawn upon for investment as needed. In the following four-year period, ending with 2010, we expect to make available an additional $12 billion as we bring other partners on board.

Under our new Financing Partnership Strategy, we will deepen partnerships for investment with our official development partners and the private sector while rationalizing, harmonizing, and simplifying multipartner projects. Our Water Financing Program for 2006 to 2010, for example, will double our water investments to, among others, provide safe drinking water and improved sanitation for about 200 million people. Our Clean Energy Financing Partnership Facility will mobilize funds to increase clean energy projects in our developing member countries.

In this regard, I thank the Government of Japan for its initiative to enhance sustainable development in Asia, under which it will contribute to our Clean Energy and Regional Cooperation Facilities. We also welcome the enhanced cooperation between Japan Bank for International Cooperation and ADB. And we are encouraged that others are considering participation in these and other multipartner initiatives, such as the recently launched Asia Pacific Carbon Fund.

In addition to these endeavors, an adequate and steady flow of concessional funding through the Asian Development Fund remains essential. I look forward to the forthcoming ADF X discussions and your commitment to help scale up the fight against poverty with renewed zeal.

Creating and Disseminating Knowledge

Finally, access to knowledge is critical to economic and social development. Knowledge is the foundation of productivity and competitiveness—and the backbone of good public policy.
As a knowledge institution, we will continue to apply our deep and broad experience to each country’s specific challenges, sharing the region's development successes more effectively so that we can achieve development for all. Our regular knowledge products such as the Asian Development Outlook and Asia Bond Monitor, as well as special studies on issues such as regional integration, labor markets, and ASEAN+3 initiatives, can help shape the region’s response to its coming challenges. Our Phnom Penh Plan for Development Management provides high-quality learning programs for about 300 middle- and senior-level civil servants in the six Mekong countries each year, thus promoting improved public sector management in these countries.

Our knowledge networks, supported by hubs of excellence, will help build capacity across developing Asia and the Pacific to tackle future challenges. We have established knowledge hubs on growth and development at our own ADB Institute in Tokyo; on clean energy at The Energy and Resources Institute in New Delhi; on climate change at Beijing’s Tsinghua University; on public finance at the Center for Public Finance and Regional Economic Cooperation in Manila; and on the 3R’s—reduce, reuse, recycle—at the Asian Institute of Technology in Bangkok.

We have also established communities of practice on important topics, including governance, gender and the environment, to more effectively share and manage knowledge. We are working vigorously to mainstream our expanded knowledge base into all our operational activities for attaining higher overall efficiency, greater development effectiveness, and increased results orientation.

**Concluding Remarks**

If the past 40 years have taught us anything, it is that the people of Asia and the Pacific have an indomitable spirit and the will to rise to untold challenges. With the support of development partners around the world, developing Asian countries have learned from each other; they have shared their successes, and established a place of pride for the region in the world economy.

As we turn now to the challenges ahead, let us keep our shared aspiration for development squarely in our sights. By focusing on inclusive and sustainable development, we will together create an abundance of opportunity in this vast, resilient, and proud Asia and Pacific region, with the benefits of prosperity shared by all.
Statements by Governors*
Order of Speaking

6 MAY 2007

Indonesia  Finland
France  Brunei Darussalam
Republic of Korea  Malaysia
People’s Republic of China  Philippines
United States  United Kingdom
Australia  Switzerland
Thailand  Portugal
Hong Kong, China  Norway
Italy  New Zealand
Germany  Mongolia
Spain  Singapore
Pakistan  Georgia
Turkey

7 MAY 2007

Belgium  Austria
India  Azerbaijan
Taipei, China  Bangladesh
Cambodia  Kazakhstan
Maldives  Nepal
Uzbekistan  Viet Nam
Denmark  Turkmenistan
Canada  Tajikistan
Ireland  Sri Lanka
Pacific Developing Member Countries (PDMCs)  Lao People’s Democratic Republic
Luxembourg  Kyrgyz Republic
The Netherlands  Bhutan
Sweden  Armenia

States Circulated But Not Delivered

Fiji Islands and Myanmar

1 Countries composed of Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Republic of Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. A joint statement was delivered by the Governor for Nauru.
It is my privilege and honor to address this 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). I would like to take this opportunity to express my appreciation to the Government of Japan for hosting this event and for their warm hospitality. Kyoto is truly a magnificent city and an appropriate location to host this momentous event—the 40th anniversary of ADB itself. As is appropriate when such a milestone is reached, ADB has a number of strategic decisions to make. Many of these will significantly affect Afghanistan, particularly in terms of the path ADB chooses on issues such as debt relief and fragile states, as the institution contemplates its role in a changing Asia.

I commend the work of the Eminent Persons Group in producing the report Toward a New Asian Development Bank in a New Asia. The report sets out a new vision supporting higher and more inclusive growth, reflecting a decrease in widespread poverty in Asia over the past two decades. However, I would highlight the fact that ADB needs to continue or enhance its engagement with the poorest of ADB’s members—the so-called “fragile states”. Much of the report focused on “emerging Asia”—countries which tap ADB’s ordinary capital resources. However, Asia’s growth has largely bypassed countries such as Afghanistan. It is in these countries, the fragile states, where ADB has the greatest impact. Afghanistan will need continued support, given the gradual nature of building up sufficient capacity for effective governance and strong, sustained growth. While this is briefly addressed in the report, the importance of ADB’s focus and support to its poorer member countries should not be diminished as ADB embarks on its mission to address Asia’s evolving needs.

Building on the foundations established by the Bonn Agreement in December 2001 to rebuild the state of Afghanistan, our country continues to strive to establish a democratic state, a pluralist society, and a market-based economy. We have seen many significant achievements in recent years in social and political development, including the establishment of a national parliament. In economic matters, Afghanistan continues to perform well. GDP grew at 8%, reflecting drought conditions, and is expected to increase to over 10% in the coming years. Inflation was contained at 5% under strict fiscal discipline guided by the International Monetary Fund (IMF) under its Poverty Reduction and Growth Facility (PRGF). Furthermore, Afghanistan is expected to enter into the Heavily Indebted Poor Country (HIPC) initiative in July this year, which will provide essential debt relief to our country. By completion point, we expect over $11 billion in relief, allowing redirection of funds from debt service payments into essential expenditure on critical infrastructure, humanitarian and social causes in the coming years. I urge ADB to join the World Bank and other creditors in providing the maximum possible debt relief to Afghanistan in the context of the HIPC initiative.
At the London Conference on Afghanistan in January 2006, the Islamic Republic of Afghanistan and the international community adopted a document called the Afghanistan Compact. Under the Compact, we are working towards the realization of the Millennium Development Goals. However, realization of these goals will only be possible with the continued strong support of donors. Despite significant achievements in infrastructure development, health, education and economic reforms, poverty remains extremely prevalent and widespread, with estimated average per capita income currently only $335 per year. Afghanistan is also confronting a volatile security situation in some provinces, coupled with a large illicit economy, principally driven by poppy production. The next 5 years will be critical for the establishment of a fully functioning state—the support of ADB and other major donors will be essential over this period.

As a measure of its significant presence and impact in Afghanistan, ADB is the country’s fourth largest donor and provides essential multi-year commitments in order to improve the predictability of public finances—a key feature of donor financing sought by my Government. ADB has pledged over $800 million over the coming 4 years, bringing the total value of expected assistance to over $1.7 billion by 2010. ADB’s work is instrumental in critical areas of infrastructure development, including road and airport construction and power transmission and distribution. ADB has also been engaged in essential water resource management and irrigation. ADB supports key capacity development efforts and is helping us to establish appropriate policy and regulatory environments in these sectors. These efforts, along with ADB’s broader support for private sector development and regional economic cooperation, will provide the foundations for a viable private sector and encourage much-needed investment.

I take this opportunity to thank President Kuroda and the ADB team working on Afghanistan, and to express our appreciation for the strong relationship we have with ADB. We look forward to continued strong collaboration with ADB as we work toward poverty reduction in Afghanistan.

ARMENIA
DAVID AVETISSIAN, Head of Delegation

I am honored and privileged to speak on behalf of Armenia at this 40th Annual Meeting of the Asian Development Bank. Let me express my sincere appreciation to ADB and the Japanese authorities for the excellent organization of this noteworthy event. My special gratitude and thanks goes to the people of Japan and to the Kyoto city authorities for their warmth and generous hospitality.

I would like to welcome and congratulate Ireland and our neighboring country Georgia for becoming new members of ADB. We are very keen to see the family of ADB member countries expanding.
The economic growth of the countries of the Asia-Pacific region is impressive and surpasses that of any other region in the world. Armenia, which became a member of ADB last year, is experiencing economic growth as well. Despite external constraints for the last 6 years, Armenia’s average annual growth rate exceeded 12%. That growth is the result of liberal open market policies, sound public finance management, promotion of exports, and high-technology industries. The achievements are a tribute to the Government’s goal-oriented reforms, international integration, and close cooperation with international financial institutions and development agencies. We believe that Armenia’s cooperation with ADB will contribute to the alleviation of poverty—a problem that ADB is continuously addressing regionwide. Despite a halving of the number of poor in the last 4-5 years, Armenia hopes that long-awaited ADB projects in infrastructure and municipal development will come to fruition soon.

ADB undoubtedly stimulates economic growth in the whole region. Each country is unique, yet there are also similarities in their development experience, despite differences in development status, economic structures, governance, needs, ownership, and growth paths. While, as a rule, countries’ private sectors have evolved in similar ways, social and structural development is based on diverse historical and governance systems. The task for the Management is to find a universal strategic means of assistance that reflects this diversity and enables ADB to deliver assistance in a more flexible, responsive and effective way.

The rapid development of the region is demanding modern approaches from ADB. The dynamism of the region and its growth dictates a forward-looking rather than a backward-looking approach. We share the vision of the leadership of ADB and its vigorous attempts to bring the institution to the best possible shape. Good governance practices have to start from the institution and then to be passed on to the countries of operation. We admire President Kuroda for his many initiatives and his leadership in shaping the style of the bank.

The recent report by the Eminent Persons Group is a valuable tool and a pathway for further discussion. We are convinced that the priorities identified in the report—infrastructure and financial development, energy and environmental projects, regional integration, technology and knowledge management—may be applied universally.

Having emphasizing ADB’s primary role as a mainstream regional development institution, we would like to see more attention paid to integration strategies and regional cooperation and trade schemes. These can be successfully incorporated into medium- and long-term country assistance strategies.

There are sectors in each country that can be a driving force for pro-poor and pro-growth policies. ADB is not a purely commercial institution that has to drive all forces to higher profit margin areas. So, the main issue is the target countries. Should ADB in the future target only middle-income countries? In fact, ADB’s experience in alleviating poverty was the primary reason for Armenia’s application for membership in ADB 2 years ago.
We sharing the optimistic vision of the Eminent Persons Group on reductions in poverty by 2020 and we would like to emphasize the importance of ADB’s role in next 10-15 years in freeing the region of poverty. That is why the reforms and ADB’s short- and long-term strategies must be thoroughly discussed in an open and participatory process involving all stakeholders.

Strategic changes should take place in accordance with global findings and be aligned with the member countries’ needs. Most importantly, the needs of bigger shareholders should not undermine those of smaller countries. ADB has to continue its strong commitment to support member countries to meet their priorities in a balanced way. The difficult task is to define policy priorities and to allocate resources accordingly. If there is a contradiction between those two sets of countries and their goals uncertainty will result, leading to a need for risk assessment and further balancing actions. Clear decision-making is essential.

We always emphasize the importance of the harmonious development that we stressed at our first Annual Meeting last year. ADB has to pay adequate attention to the needs of each country of operation. ADB should cooperate closely and not compete with other international financial institutions (IFIs), and, most importantly, must practice shared ownership. Assistance and investment programs should be synchronized with the development needs of the recipient countries and other donors. In order to achieve best results, assistance portfolios driven from the countries’ needs should target priorities, be tangible and measurable, results-oriented and timely.

Should the leadership of ADB only listen to the demands placed upon it, or should it guide reforms and changes? Inclusive growth, a regional and global focus, and environmentally sustainable growth will bring results in future. Disparities need to be eliminated, equal sharing of opportunities promoted, trade and investment boosted, and participatory and efficient governance systems encouraged. Economic democracy should run in parallel with economic development.

We fully share the environmental concerns expressed during this meeting. We support ADB’s increasing role in environmental protection issues and see many dimensions to this task that ADB can extend activities to.

We would like to express appreciation to the President and his management team for the continuous attention paid to Armenia. We understand the difficulties facing the leadership of the bank at both micro- and macro-levels. We would also like to thank all countries for the generous support provided at Board meetings, taking into account that Armenia is not yet presented there as a constituency member. We express every support to the leadership of ADB and believe that, with the support of ADB’s regional member states, we will be able not only to overcome current problems of poverty and boost development, but to have a successful and prosperous future.
AUSTRALIA

CHRISTOPHER PEARCE, Head of Delegation

I would like to sincerely thank the Government of Japan for hosting this 40th Annual Meeting of the Asian Development Bank.

I would like to congratulate Mr. Kuroda on his second year as President of the Bank and to welcome Vice Presidents Lohani and Schaefer-Preuss to the ADB senior management team. I would also like to extend a warm welcome to ADB’s new member countries, including Georgia, whom we are delighted to have in our constituency.

Over the 40 years that ADB has been operating, the Asia-Pacific region has recorded the strongest economic growth of any region in the world. Sadly, however, significant poverty still exists alongside this growth, with the Asia-Pacific region home to about 1.9 billion people living below the international poverty line of $2 a day.

The backdrop to our discussions at these Annual Meetings, therefore, is an Asia-Pacific region that continues to confront enormous development challenges.

Sustaining, broadening and deepening growth and development require outward-looking, market-based policies. Continued increases in development assistance and improvements to development effectiveness will help, but the reduction in global trade barriers is of utmost importance in responding to the region’s development challenges. Further trade liberalization would provide developing countries with an opportunity to lift income and economic growth, without which reductions in poverty are not sustainable.

As the recently released Eminent Persons Group Report makes clear, Asia has changed considerably over the last 40 years and will change more in the coming period.

We agree with the report that ADB must also change substantially to adapt in a dynamic Asia-Pacific region and to be relevant and effective as a regional development institution.

The Eminent Persons Group forecasts that the region’s strong combined economic performance will continue. In general, Australia shares this optimism and believes that the group’s vision for a “New Asia” in 2020 is within our reach.

Australia broadly supports the new operational priorities outlined in the Eminent Persons Group report, which will ensure ADB’s continued relevance to its middle-income country client group over the longer term. It will also ensure a strengthened ADB engagement in areas that are becoming increasingly important to building the region’s overall prosperity, including financial sector development, trade, and investment.

However, as the Group noted, there are a large number of low-income or weakly performing countries in all parts of Asia and the Pacific that are unlikely to share in Asia’s overall success.
Further, even on the most optimistic projections, the unfortunate reality is that Asia’s large middle income countries will continue to confront significant development challenges and to be home to large numbers of poor people for many years to come.

This suggests a continuing need for broad-based development assistance in the region over the longer term. The challenge for ADB’s long term strategic framework review is to articulate a coherent long term strategy for engaging effectively in all of ADB’s developing member countries.

We do not confront a binary choice on how ADB should evolve over the coming years. Instead, emerging regional priorities such as those outlined in the Eminent Persons Group report should be viewed as complementary to ADB’s traditional country based approach to development.

We are concerned that a “two-bank model” is emerging in some thinking. This could see Asian Development Fund countries relegated to lesser importance than their more prosperous neighbors.

Not only would this be contrary to ADB’s Charter commitment to pay special attention to small states and less developed members, it could undo recent efforts to create a more unified, effective institution that brings together people, knowledge and expertise from different parts of ADB to maximize its impact.

The challenge for ADB is to serve all of its clients in focused and effective ways. As developing member country needs diverge further, this will be difficult, but we do not believe it is impossible. Disengagement from some groups of countries is not an option.

Australia supports ADB’s increasing focus on issues crucial to Asia’s regional economic prosperity, complemented by a targeted contribution to meeting the unique development needs of each of ADB’s developing member countries, based on ADB’s absolute and comparative advantages.

Weakly performing countries present some of the biggest challenges. They are resource intensive and require long-term development horizons and approaches.

Depending on your definition, there are between 10 and 15 weakly performing countries in our region distributed across all parts of Asia and the Pacific. They are confronting significant development challenges and need our assistance.

ADB cannot overlook the needs of this significant group of members. Development institutions such as ADB and World Bank must work collaboratively with donors to provide the most effective development support that we can in these environments. Therefore, it is vital that ADB should finalize and then implement a strategic approach to engaging in weakly performing countries.

For ADB to be a more responsive and effective institution, it also has to move decisively to reduce bureaucracy and allow managers to manage, while holding them accountable for results.

Australia strongly supports ADB’s human resources strategy and recognizes the efforts of ADB management in beginning its implementation. However,
much more flexibility will be required in the areas of human resources and budget management in order to implement new directions for ADB effectively.

ADB must empower its senior management group to lead this change process. Australia shares the vision of a more focused and ultimately more effective development institution for the Asia Pacific region.

We look forward to contributing to the long term strategic framework review and to continuing to work with President Kuroda and the rest of the ADB team in achieving these aims.

AUSTRIA

MARCUS HEINZ, Alternate Governor

It is a pleasure to address this Annual Meeting of the Asian Development Bank (ADB). Let me start by thanking our host, the Government of Japan, for the truly excellent organization of this meeting and the very hospitable welcome in this historic city of Japan.

This year we also come together to celebrate a round number: the Asian Development Bank Governors meet for the 40th time. As usually at anniversaries, we would like to congratulate ADB and its staff for all their endeavors during the last four decades. The 40th anniversary also marks a critical age when it is quite common to make mid-life reflections and to plan ahead for the future. One should ask oneself, what has been achieved so far? What is our future role? Are we on the right path?

ADB has already begun with some timely reflections. The Eminent Persons Group (EPG) report has evaluated the past and gives us some food for thought on ADB’s possible future development.

Let me start my address by commenting on the report. Overall, we do very much welcome it and share the assessment that there is a need for change. The last 40 years were marked by unprecedented growth in the region and many regional countries have graduated toward becoming middle-income nations. Moving quickly through the stages of development has to be a major goal for any low-income country. It is difficult to judge, but at least part of this success is attributable to ADB’s work.

Thus, the traditional role of ADB as a development bank has already changed and will have to change further in future so it can adapt to new circumstances and to new needs. ADB must remain relevant to its clients and at the same time keep its core mandate in mind: the eradication of poverty and the promotion of development. Although Asia as a region is recording fast economic growth, its fruits are not equitably distributed. Poverty and inequality still persist in low- and middle-income countries alike. We believe that ADB must address this issue in a much more pro-active way than suggested in the EPG report. In
fact, we do miss a commitment in the analysis of the report to address poverty issues and to pursue the attainment of non-income Millennium Development Goals (MDGs). The underlying model appears to us to be too focused on growth alone as the deciding factor. However, we would ask ADB not to forget the distributional aspects of its actions when it determines its future business model.

Distributional aspects are closely related to the role of the state and the role of the market within the development process. For development to be inclusive, the right mixture of both is needed. Given the emphasis the report places on the private sector, we would definitely like to see some discussion on the role of the state to be included in the future policy formulation of ADB.

The role of the state is linked to the important discussion of good governance, transparency and corruption. We regret that the report does not discuss these important issues and we urge ADB to take them into account and give them prominence.

In fact, economic theory and reality suggest that the state and the market are both prone to failure and imperfections. Major market failures are often reflected in the insufficient provision of public goods and the insufficient mitigation of negative effects, one of the most threatening of which is climate change.

In this regard, let me first congratulate ADB for launching the Carbon Market Initiative, which was implemented just a couple of days ago. Austria fully supports the underlying idea, which is certainly of mutual benefit to all participants. We are thus happy to announce that we are ready to support the initiative by funding technical assistance.

Second, concerning the EPG report on this issue, we welcome the importance attributed to climate change. ADB certainly needs to mainstream this topic in its day-to-day work. However, it seems important to us to mention that even more has to be done. To start with, we would like to encourage ADB to work out a new climate change strategy and to look for new financial instruments to increase the funds available. Furthermore, although the EPG report puts a lot of emphasis on mitigating the adverse effects of climate change, we believe that it is equally necessary to look at the important issue of adapting to the effects of climate change.

Closely related to the threat of climate change is the use of clean and efficient energy. As energy demand rises quickly in the growing Asian economies, ADB has to look for a sustainable strategy to cope with this. On the supply side, this involves not only the better use of old technologies but also the development of new ones. In this context, we welcome the observation of the EPG report which supports, as a major principle, environmentally sustainable growth. The report is certainly on the right track here and we fully support its recommendation that much stronger emphasis be placed on environmentally sustainable growth in the future.

When celebrating anniversaries, one also tends to look at the future and one may ask where ADB will stand in 10, 20 or 30 years? Starting with such
reflections, we of course also ask ourselves as donors, what will be our future role in ADB? Are we still needed and if yes in what way? The EPG report looks at a time horizon until 2020, but a thorough investigation into the possible future role of donors and shareholders in the institution is missing. This issue is also linked to ADB’s use of capital reserves and to the Asian Development Fund (ADF). Given the capital reserve base of ADB, one may ask if donors are still needed to the same extent as in the past? This raises also the important question: what role will the ADF play in 10 or 20 years? We do not know the answers to these questions yet, but some future scenarios have to be developed already.

However, in order to be effective, institutional change needs to be well prepared and well sequenced. The President’s clear vision and leadership are therefore crucial today and in the future to implement an effective reform process. We noted that the EPG report remains almost completely silent on the follow-up process. We will be interested in the coming months to learn more about the possible next steps for ADB’s long-term strategy.

As shareholders, we will closely watch the development effectiveness of current and future ADB policies. In this regard, we urge ADB not to lower any safeguard standards in order to be more competitive. In our opinion, a vision not only requires targets but also long-term values, which should not be watered down.

Let me end by again congratulating ADB for what has been achieved so far. It is an effective development institution with a clear comparative advantage and it has a role to play in today’s international financial architecture. We see ADB today becoming a modern, flexible institution, capable of adjusting to new requirements, and learning from its experience. We believe that it will be able to meet the challenges of today and the future in order to respond to its clients’ needs.

ADB is still an attractive institution, which is why new members join to take part in dialogue and partnership. In this regard, we would like to warmly welcome Ireland and Georgia as new members. It is a pleasure to see that the institution does attract new members and that the community is still expanding.

Austria wishes President Kuroda and ADB all the best for all the challenges and reforms that lie ahead. You can count on Austria’s support for this necessary process of change.

AZERBAIJAN

SAMIR SHARIFOV, Head of Delegation

On behalf of Azerbaijan, I would like to extend my gratitude to the Government of Japan and the authorities and people of Kyoto for their excellent and generous arrangements and warm welcome on the occasion of the 40th anniversary of
Asian Development Bank (ADB). I would also like to extend a welcome to our neighbor, Georgia, and to Ireland as the newest members of ADB.

Recent Economic Performance of the Asia and the Pacific Region

The economic performance of developing Asia was impressive over the last decade, with the highest regional GDP being 8.3%. Growth was driven by prudent macroeconomic policies, a favorable international environment, increased trade relations, and cooperation among the countries of the region. Asia is currently experiencing rapid economic growth, rising per capita incomes, and the quality of life is improving. However, the elimination of poverty remains the most difficult challenge for the region’s developing countries and their international development partners. ADB has made a remarkable contribution to regional economic and social progress. We applaud its efforts to undertake operational and institutional reforms in recent years and appreciate its support of regional cooperation in particular.

Azerbaijan appreciates the initiative of ADB President Kuroda to develop a new vision of a Bank for the years ahead. The Eminent Persons Group report Toward a New Asian Development Bank in a New Asia offers an option for the future for Asia. We believe that recommendations made by the group provide good insights into the future of the Asia and Pacific region and the role and key priorities of ADB. We believe that ADB, as a key development organization in the region, will be required to play an important role in the decades ahead.

ADB’s Long-term Strategic Framework

I note that ADB is currently implementing a comprehensive, consultative midterm review of its long-term strategic framework, covering the period 2001-2015. The results of this review process will include a revision of ADB’s safeguard policies, implementation of its initiatives to better support developing countries, and better outcomes and development impact from public and private projects, technical assistance, and other nonlending interventions.

Cooperation between ADB and Azerbaijan

Azerbaijan has been sustaining a growth rate in excess of 10% per annum over the last decade and has emerged as the fastest growing economy in the region and worldwide. Strong growth enabled the country to reduce unemployment and halve poverty. Structural reforms included deregulation, privatization and liberalization, coupled with sound macroeconomic policies.

Nonetheless, Azerbaijan is still facing transitional challenges, including diversification of its economy and development of the non-oil sector. We are keen to further develop partnership with ADB and to cooperate more closely in implementing our reform agenda. We are seeking genuine technical assistance by ADB in the field of institutional strengthening, which will enable capacity building. Infrastructure development—in particular water supply and sanitation, irrigation and road development—will continue to be the focus
of our cooperation with ADB. Our growing national asset base will allow the
development of co-financing patterns of cooperation.

I would like to express our deep appreciation to President Kuroda and
the Management and staff of ADB for their dedicated and committed work
in the fight against poverty in the region. We pledge ourselves to committed
cooperaion with the Asian Development Bank in developing our economy and
overcoming the challenges of the transition period in future.

BANGLADESH

DR. A.B. MIRZA MD. Azizul Islam, Governor

Let me express my sincere appreciation to the Government of Japan for the
excellent arrangements made for the meeting. I would also like to congratulate
Mr. Kuroda for being elected as the President of the Asian Development
Bank (ADB) for a second term. The President and his team also deserve deep
appreciation for organizing this meeting efficiently.

As a major development partner, ADB has always been responsive to our
country’s needs and aspirations. My government expresses its sincere gratitude
for its sustained contribution to our development efforts in many areas
of critical importance.

Since its assumption of office in January this year, the present Government
of Bangladesh, under the able leadership of the Chief Adviser, Dr. Fakhruddin
Ahmed, has remained focused on holding a free, fair and credible election
within 2008. Necessary reforms in this regard are underway. The Government
remains fully committed to transferring power to the elected representatives
as soon as possible.

However, the Government has not shied away from undertaking measures
to improve governance and strengthen economic management. Its initiatives
have included:

• signing the UN convention against corruption,
• reconstituting the Anti-corruption Commission,
• reconstituting the Election Commission,
• separating the judiciary from the executive,
• adjusting the electricity tariff and prices of petroleum and related
  products,
• corporatizing nationalized commercial banks,
• making stronger efforts to mobilize domestic resources, and
• ensuring greater transparency and accountability.

These initiatives have been widely acclaimed at home and abroad and
have received unequivocal support from the representatives of development
partners in Bangladesh. They are expected to further stimulate the country’s
economic progress and its reduction of human and income poverty.
However, Bangladesh continues to face major challenges in fully implementing the reform initiatives, eliminating poverty and achieving the Millennium Development Goals (MDGs). Some 40% of the population still lives below the poverty line. The incidence of child malnutrition and maternal mortality remains unacceptably high.

To meet these challenges, Bangladesh needs greater support through official aid resources from ADB as well as from other development partners. We would appreciate receiving more Asian Development Fund (ADF) allocations and program loans from ADB for budgetary support. In this context we note with appreciation that ADB has already started work on the ADF replenishment. I urge donors to make a quantum increase in their contributions to the ADF. There is also a need to moderate the conditions attached to the ADF, with a view to enhancing country ownership.

We welcome the report of the Eminent Persons Group. However, the changes suggested in the report concerning ADB’s strategic priorities and business model should be assessed carefully so that the needs of smaller and low-income countries are not left unattended. Operationally, the aim should be to provide assistance on a least-cost basis and to improve the response time and quality of assistance. ADB’s human resources will also have to be augmented with the right skills and an increase in flexibility.

The setting up of a regional cooperation and integration fund with transfer of $40 million from the net income from ordinary capital resources is a positive step. The fund should certainly help in facilitating regional projects by providing non-lending support. However, the benefits can be limited in the absence of additional and concessional finances for investment. As a next step, ADB could work toward setting up a facility for additional and concessional lending with support from regional and non-regional members.

The part waiver on commitment charges announced this year is welcome. However, the scope for further reducing the loan charges through improvements in operational efficiency should be pursued. Work should continue on improving quality at entry, simplifying procedures, reducing excessive oversight, and delegating more responsibilities to resident missions so ADB can increase its responsiveness to its clients’ needs. The new multitranche financing facility should continue beyond current pilot stage.

BELGIUM

RENÉ LEGRAND, Temporary Alternate Governor

I wish to convey the best wishes for a successful meeting from Minister Reynders who could not join us because of the forthcoming national elections. I also wish to thank the Japanese authorities for inviting us to this magnificent city of Kyoto, part of world history thanks to the protocol bearing its name, and the Japanese people for their hospitality.
Belgium also thanks the Asian Development Bank (ADB) warmly for submitting a very provocative and thought-stimulating report on its future. A lot of books might indeed be written to answer the issues raised but, beyond stimulating thoughts, there is a need to build a consensus on the future of ADB. Belgium is therefore anxious to know the internal steps that will follow this exercise. One can argue at length about the underlying assumptions of the panel. Among them, the likelihood of being able to proceed along today’s path based on cheap and available energy from fossil fuels is a big question mark, with no clear successor as cheap and abundant in sight. Leaving aside the crystal ball, the fact remains that the tremendous success story of Asia is casting a big shadow on the institution created to assist it in its development and one even may wonder why we still need it.

To answer that question, it is to a certain extent a relief to be able to refer to the results of ADB’s first perceptions survey. The contribution of ADB to the development of the Asia and Pacific region has been widely acknowledged and the institution got good marks on its core mission of poverty reduction. However, opinion leaders also found that ADB lacked capacity in some fields or was spread too thinly. Other weaknesses identified were ADB’s procedures, perceived as too bureaucratic. ADB as we know it can still be tremendously useful provided some adjustments are made, mainly in procedures and focus. But should it be confined to this role of basically accommodating the needs of the poorer segments of the poorer countries?

The panel is of a different view and suggests a bank that reflects the diverse evolution of its members. The framework it provides has several striking similarities with the mandates and priorities of the European Investment Bank within the European Union (EU). This is most probably due to the change in the economic and financial status of the best performing members of ADB, and a logical outcome of this change: infrastructure, environment, energy, urban development, knowledge, research and development, water, health, and education (re-named “human capital”) are all common priorities for both institutions. I cannot disagree with those views since some of them have been expressed in Belgium’s previous speeches. There are still a lot of things to do in those countries to consolidate recent achievements, to build on them, and tackle their negative externalities. An Asian Investment Bank? Why not? The agenda in regional infrastructure is big enough to consider the idea and the shape it should take, while at the same time looking at how the $3 trillion foreign exchange reserves can be used for the common good of the region.

However, one major obstacle to the implementation of the recommendations of the report is ADB’s sheer size: what can be achieved with lending activities of $2 per capita per year? ADB needs to grow, particularly if, as the panel mentions, there will be substantial additional costs to put in place a new ADB.

This does not mean that we would be shying away from poverty reduction and the Millennium Development Goals (MDGs), since, as the figures in the report illustrate, the region will be the main contributor to reaching the MDGs and there are various ways of addressing poverty, including the growth model
proposed in the paper. In addition, the social initiatives that are put in place need the income generated by economic activities to be sustained over time.

It is a pity, however, that the Panel did not say a few words in its overall assessment about income redistribution policies, such as a minimum wage and social security – all concepts that have been turned into rude words in today’s generalized way of thinking. There are certainly quite a few things to do in those areas as well with surpluses of $3 trillion. It is also a pity that it did not deal with the Asian Development Fund (ADF), as if it was business as usual and a donors’ issue. That may be correct but an external view would have been interesting, in particular how ADB covers the region, how effective the interventions of ADB’s various windows are, whether it still makes sense to segregate operationally ADB and its borrowers from ADF and its recipients, or whether a mix of both can be envisaged in some countries and how this can be organized. For example, a loan from ADB with an interest subsidy from ADF would allow much more health or education infrastructure to be built than an ADF grant alone.

To conclude, Belgium welcomes the forthcoming replenishment negotiations of the ADF X and is looking forward to pursuing discussions on the future of the institution.

BHUTAN

WANGDI NORBU, Governor

It is a great pleasure for me and my delegation to attend the 40th Annual Meeting of the Board of Governors of the Asian Development Bank. I would like to start by joining the other Governors in expressing our sincere appreciation to our hosts the Government and the people of Japan. I would also like to congratulate the Kyoto Committee for the excellent arrangements made for the meeting, and thank the people of Kyoto Prefecture for the warm reception and gracious hospitality that has been extended to us. We are indeed very fortunate to have this opportunity to be in the beautiful, historic and modern city of Kyoto, and I am sure that all of us are reinvigorated by the beautiful surroundings of the venue for our meeting.

We are pleased to note that under the stewardship of President Kuroda, ADB is not only making every effort to meet needs of the member countries, but also taking a longer term perspective of its role in the context of the rapid changes that are taking place in the Asia and Pacific region. In this regard we appreciate the President’s initiative in commissioning the Eminent Persons Group to make recommendations on the ADB’s future role. However, while we see the need for ADB to align and harmonize its operations and adopt a new model for development banking, we believe that any major shift in focus should be carefully considered. ADB must ensure that the special needs of smaller and low-income countries are taken care of as recommended in Eminent
Persons Group report. Furthermore, we welcome the Eminent Persons Group’s recommendation for ADB to support environmentally sustainable growth. Environmental degradation not only affects the respective countries but also has a global impact.

Since 2008 will be the last year of the Asian Development Fund (ADF) IX, we are pleased to note that ADB has started the process of negotiations for ADF X. For developing member states (DMCs) the ADF window of ADB represents a vital source of finance for core development activities and reforms aimed at achieving the Millennium Development Goals (MDGs). Of course, while the ultimate responsibility for achieving the MDGs rests with the DMCs themselves, the role of the international community, including bilateral donors and multilateral development banks, in enhancing the volume, quality, and predictability of assistance is equally important. Keeping this in mind, we would urge donor countries to help DMCs in their fight against poverty by scaling up their contributions to ADF X. This would have a major impact on the ability of the DMCs to achieve the MDGs.

In my own country we have so far undertaken two MDG review exercises to take stock of our progress, identify the challenges, and the priority areas for development intervention. While we are largely on track and hopeful that the MDGs can be met in time, the actual achievement of the MDG targets will largely depend on the continued availability of donor support.

We welcome the recommendation of the ADF mid-term review to align the ADF grant framework with that of the International Development Association (IDA) 14, and we hope that implementation can start from this year as recommended. This alignment will go a long way toward enabling DMCs to undertake infrastructure development activities as well as to carry out reform programs and capacity building of public institutions.

Capacity development is a major concern in many DMCs—especially in the smaller countries such as Bhutan. In fact, in view of the importance that we attach to capacity development, we have had to use some of our loan proceeds for this purpose. However, while this serves to highlight the importance of, and our commitment to, capacity development, it also means that the amount available for equally, or even more, important investment purposes is reduced. We believe that long-term capacity development grants in the form of technical assistance will play a vital role in the development of weaker economies.

We recognize and welcome the importance that ADB attaches to regional cooperation and integration. The setting up of the Regional Cooperation and Integration Fund with the transfer of $40 million from ordinary capital resources (OCR) net income is a wise and welcome decision as it will enable the DMCs to jointly take up projects that will be of great importance for promoting regional cooperation. However, merely providing TA funds may not in itself be enough to encourage regional projects unless the support is provided on concessory terms. The provision of concessionary funds for a few regional projects could encourage other regional projects by demonstrating the benefits that can flow from regional cooperation.
We also welcome ADB’s timely and important initiatives on clean energy, particularly the setting up of the Clean Energy Trust Fund to help DMCs follow environmentally sustainable energy use. Bhutan has significant but still largely untapped renewable hydro power potential that can be harnessed for domestic as well as regional use. Through appropriate financing mechanisms and knowledge inputs, ADB could help Bhutan realize this potential. For areas with difficult access and sparse habitation, traditional modes of energy generation and transmission are generally unsustainable. We look forward to ADB’s help in realizing our goal of “energy for all”.

We would like to acknowledge the progress that ADB Management has made in furthering the innovation and efficiency initiative by introducing new instruments, revising policies, and making improvements to the business. While most of these initiatives concern the OCR programs, even the ADF countries stand to benefit indirectly from the initiative as increased business from the OCR programs would translate into higher income for ADB. Some of the income arising from OCR programs and the ADB’s investments can contribute to the various trust funds that are also accessible to ADF countries. The initiative on enhanced cost sharing and expenditure eligibility criteria, is, however, very relevant for ADF countries too.

I would like to take this opportunity to inform this meeting about some of the important developments that are taking place in Bhutan. Public consultations on the draft constitution have been completed and preparations for the first national elections in 2008 are well underway. In December 2006 the fourth King His Majesty Jigme Singye Wangchuck, although only 52, and much against the wishes of the people, abdicated the throne and handed over the responsibilities of monarch to the Crown Prince.

Indeed, 2008 will be a watershed year in the history of Bhutan. Not only will we be celebrating the coronation of our fifth King His Majesty Jigme Khesar Namgyal Wangchuck, we will also be ushering in an era of parliamentary democracy with the assumption of office by the first government to be elected through a popular franchise. As we go through this critical phase in our history we are confident that we will continue to receive the support and cooperation of our development partners such as ADB.

In concluding, I would like to join my fellow Governors in welcoming Ireland and Georgia as the newest members of ADB. I would also like to take this opportunity to congratulate and extend our best wishes to the new Vice Presidents, Dr. Bindu Lohani and Ms. Ursula Schafer Preuss.

BRUNEI DARUSSALAM

PEHIN DATO ABD RAHMAN IBRAHIM, Governor

I am deeply honored to speak at this prestigious gathering of the 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). On
behalf of the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, may I express our sincere appreciation to the Government and people of Japan for their cordial reception and excellent arrangements for the meeting. May I also join other Governors in welcoming our new members of the family—Ireland and Georgia.

We are pleased to note that, since its inception in 1966, ADB has an outstanding scorecard of success. Over the span of 40 years, its membership has more than doubled, reflecting international recognition of, and confidence in, its positive contributions to development. It has managed to improve the livelihoods of hundreds of millions of people in the Asia-Pacific region and to propel them out of poverty. The institution has also gained respect as a resolute strategic development partner and indispensable centre of knowledge, assisting the Asia-Pacific to transform itself into the world’s most dynamic and fastest growing region. Its achievements should be praised and commended.

Having said that, ADB must continue its efforts to remain a relevant and credible institution. I would like to congratulate President Kuroda for his exemplary vision and leadership in assembling the Eminent Persons Group. The group has made a number of commendable proposals towards modernizing ADB and encouraged it to address new challenges and identify new opportunities.

We particularly support a number of the proposed new operational priorities, namely: knowledge management; technological development and innovation; and financial sector development and intermediation. As the world economy is in the “information age”, we agree that the ADB should strive to become the premier platform in Asia for sharing knowledge and exchanging lessons on key economic, social, and financial issues. It is therefore imperative to harness to the fullest the power of the internet and related technologies to create a platform for networking. ADB’s primary role in knowledge management should be to create and manage such a platform.

We also agree that ADB should become an advocate for innovative operational products, such as technical assistance, support for new institutions, and lending instruments for financing technology firms. It should also offer a region-wide platform for periodic stock-taking of Asia’s progress and for debating national and regional policy initiatives that could accelerate the evolution of our region from being a predominantly low-cost assembly line for products, into a world-class research and development hub.

This meeting in Kyoto takes place almost a decade after the Asian financial crisis. Our region was hit by a currency crisis triggered by capital outflows of a scale and speed that had not been witnessed anywhere in the world. The crisis revealed unsuspected flaws in the banking and corporate sectors, and did immense damage. Nevertheless, we overcame the crisis with our distinct dynamism. Our governments throughout the region pursued sound macroeconomic policies. We strengthened our financial systems, built up our financial reserves, and enhanced corporate governance.

We share the view that the region is now better prepared and equipped to deal with such risks. ADB responded with commendable effort by generating
Cambodia

projects and programs to strengthen financial sectors and creating social safety nets for the poor. ADB also played an instrumental role in establishing mechanisms such as the Chiang Mai Initiative and the Asian Bond Market Initiative.

As stated in the report of the Eminent Persons Group, faster development of the financial system must be accorded the highest priority. The long-term policy agenda must focus on developing a robust and resilient financial system that continues to support the region’s manufacturing sector so it can remain strong, agile, and competitive in the global marketplace. This regional financial system should mobilize and channel, within the region, a greater share of its twin surpluses of domestic savings and foreign exchange reserves.

Against this backdrop, we continue to share the view that there is no room for complacency. It is imperative that efforts towards capacity building and regional cooperation are enhanced.

Globalization presents both opportunities and challenges. The international financial institutions have an important role in assisting developing countries to boost economic development and to strengthen their technical and institutional capacity. With more dialogue and consultation between both parties, in an atmosphere of mutual respect and trust, further progress can also be achieved to ensure that international economic policies are beneficial to all member countries. All these are essential in our common desire to improve the prospects for a sustained strong regional and global economy in the period ahead.

Finally, I would like to join other governors in wishing President Haruhiko Kuroda and the ADB Management every success in the year ahead.

CAMBODIA

KEAT CHHON, Governor

It is a great honor for me to represent the Royal Government of Cambodia at this 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) and to address this distinguished gathering. I express our deep thanks to the Government of Japan and the people of Kyoto for the warm hospitality extended to us while staying in this beautiful city. I would also like to express our sincere gratitude to ADB’s management and staff for the excellent arrangements made for this meeting.

We congratulate and welcome Georgia and Ireland as new members of ADB. ADB is now 40 years old and we must take great satisfaction from, and pride in, its four-decade–long cooperation with the governments and people of Asia and Pacific. In this period, many achievements have been made by ADB in physical and social infrastructure, natural resources management, financial sector development, and regional integration, among others. These have contributed to sustained growth and poverty reduction in developing member countries (DMCs) and prosperity in the region.
This regional transformation, however, requires ADB to put more emphasis on making institutional changes to make it more relevant and responsive to new developments in the region. In this regard, we welcome the Eminent Persons Group’s recommendation that ADB should move beyond the traditional development bank model and develop a new business model focusing on three complementary strategic directions: (i) from poverty reduction to inclusive growth, (ii) from growth to environmentally sustainable growth, and (iii) from a primarily national focus to a regional and global focus. At the same time, we acknowledge that while a larger number of countries in the region will become middle-income countries, some will remain low-income countries. There will still be a significant number of poor in the region. Our view is that ADB should continue to focus on poverty alleviation in these low-income economies until this mission is accomplished.

We congratulate President Kuroda for the achievements made in 2006. These include: ADB’s medium-term strategy II, the regional cooperation and integration strategy, the revision of private sector development framework, and the development of a second governance and anticorruption plan. With the adoption of new procurement guidelines, we hope project implementation in DMCs will be further improved. While ADB’s policy on cost-sharing allows financing the costs of preparing and implementing resettlement action plans, some issues in the policy on involuntary resettlement still need to be reviewed. An update of this safeguard policy will be crucial to speeding up project implementation and increasing the impact of ADB’s assistance.

In the context of the regional cooperation and integration strategy, we greatly appreciate the catalytic and leadership role that ADB has been playing in the Greater Mekong Subregion (GMS) region. This is a model of regional and South–South cooperation, as noted by the Governor for the People’s Republic of China. ADB has also played a facilitating role as part of the ASEAN and ASEAN+3 frameworks. We hope the new strategy will extend these roles further to benefit fairly the participating countries. In this respect, I would like to reiterate our strong support and endorsement of measures related to the Chiang Mai Initiative and the Asian Bond Markets Initiative approved by the ASEAN + 3 Finance Ministers Meeting recently.

We congratulate the Board of Directors for the initiatives that it has taken to enhance corporate governance at the Board level. We welcome the setting up of the Ethics Committee, which aims to enhance transparency and accountability in the Board’s work.

We applaud ADB for the success of its Asian Development Fund (ADF IX) mid-term review in Frankfurt in December 2006. The introduction of grant financing under the eighth replenishment of the ADF has improved the debt situation of poorer and post-conflict countries and we hope this will continue in the ninth replenishment of the ADF. In this regard, the views of the recipients should be seriously considered and the performance-based allocation criteria should take into account countries’ historical background and their specific circumstances so that it can act as an incentive for uplifting performance.
We welcome the Government of Japan’s initiative on Enhanced Sustainable Development for Asia. Moreover, to echo the statement of our Chair, the Governor for Japan, on nuclear energy use, I salute the decision of a group of countries to launch the $5 billion International Thermonuclear Experimental Reactor (ITER) project in Cadarache, France. I would appeal to them to consider seriously a similar venture, the $1 billion HiPER Project, bearing in mind that our region has $3.1 trillion reserves, while Japanese scientists are taking the lead with their French and American counterparts in mastering laser triggering.

Let me turn to the developments in Cambodia. Our Government is fully committed to and is vigorously implementing its Rectangular Strategy, based on which the country has formulated a National Strategic Development Plan for 2006–2010. Promoting economic growth, generating employment, promoting social equality, and strengthening the public sector’s capacity remains the cornerstone of the Government’s strategy. Good governance is at the heart of the strategy. The government is pursuing improved governance through anticorruption measures, legal and judicial reforms, public financial management and administration and armed forces. We are making good progress in all of these areas with the help of many development partners, including ADB, and we thank them for the support. As we have emphasized on many occasions, implementation of the reforms requires not only political will but also considerable human and financial resources. The development partners’ assistance to continue the implementation of these reforms is still needed.

Thanks to the peace and political stability as a result of the win-win policy of our Prime Minister, Samdech Hun Sen, Cambodia’s annual average GDP growth reached 9.7% for 1999–2006. In 2005, real GDP growth reached the peaks of 13.4%, and in 2006, 10.5%. This was largely driven by the continued high export growth, increased tourism receipts, robust construction activity and strong agriculture production. The strong performance of the agriculture sector was bolstered by massive investment in irrigation infrastructure, backed by sound government policies. Cambodia will continue to redistribute its high growth fairly throughout the country, particularly by putting most effort into developing rural and remote areas.

Per capita income has doubled from about $250 in 1996 to $506 in 2006. Inflation has been contained at an average of 3% and the exchange rate has been broadly stable. The country’s international reserves reached more than $1 billion in 2006. The impact of high economic growth and the Government’s sound policies has seen an accelerated reduction in poverty from 47% in 1994 to about 35% in 2004. The Government’s massive investment in rural infrastructure has led to significant improvements in the social sectors—health and education. The government will continue to increase spending in these sectors. To support macroeconomic stability and sustained growth, the Government will continue to promote economic diversification in agriculture, agro-industry and small and medium-sized enterprises. The private sector plays a crucial role in the economy and, to facilitate this role, the Government
Canada

has improved the investment climate, the business environment, and trade facilitation. At the same time, the Government is rigorously implementing the Financial Sector Development Strategy (2006-2015), including establishing a capital market by 2009. The aim is to ensure a sound financial system crucial to sustainable economic development in the long run.

The macroeconomic outlook in the medium term appears stable, with an expanding tourism industry, continued growth in garment exports, offshore oil and gas potential and increases in agricultural production. The good performance in the last decade indicates that Cambodia has been on the right development path. Progress was bolstered by the reforms undertaken by the Government with the help of all development partners and we are committed to staying on this course.

In conclusion, I would like to express once again our deep appreciation of ADB’s Board, Management and staff for their sterling efforts in responding to the challenges of the region and meeting the needs of the individual member countries. We are thankful to ADB for providing support and assistance for the development of Cambodia and look forward to continued strong partnership between us.

CANADA

HAU SING TSE, Head of Delegation

I would like to thank the Government of Japan for graciously hosting this landmark 40th Annual Meeting of ADB. It is a pleasure to be in Kyoto, a city with a rich history and deep spiritual and cultural roots.

We congratulate ADB on its 40th anniversary. Canada is proud to have been a founding member of this institution and to be its seventh largest shareholder and the second largest non-regional member. We warmly welcome ADB’s newest members, Georgia and Ireland. We especially welcome Ireland, which will work with us in our constituency.

I commend the President for the very real progress made in the reform agenda over the past year, which addresses many of Canada’s priorities. ADB has made important progress in clarifying its strategic direction as well as in improving the focus of its operations. These are articulated in the medium-term strategy II, which also identifies governance and anticorruption activities as a major pillar. We will be following closely the implementation of these reforms.

We would like to mention our special appreciation of ADB’s program in Afghanistan. For example, its work in rehabilitating critical roads and irrigation systems that offer income-generating opportunities to women and landless farmers will make an important contribution to improving people’s lives. Canada highly values its partnership with ADB in this program and in others, such as promoting education for girls in Bangladesh.
Recently, the Government of Canada announced a three-point program for enhancing the focus, efficiency, and accountability of aid resources in our international assistance efforts to ensure they are used effectively. These principles are equally valid for international organizations so I would like to draw upon them to highlight three issues that we believe are critical to ADB’s role in the region and in the global financial architecture.

**Focus**

In our view it is vital that ADB and other multilateral development institutions increasingly sharpen their priorities, and focus on areas in which they hold a comparative advantage. In this context, we welcome the report of the Eminent Persons Group (EPG), which provides important insights into the transformation of Asia by 2020, and a vision of how the ADB can best adapt to serve its clients in the region’s fast-evolving economic and political environment.

Canada can support the broad strategic directions articulated in the EPG report, notably the emphasis on: (1) inclusive growth, (2) environmentally-sustainable growth, and (3) a regional and global focus. We look forward to further development and refinement of these directions in the context of the discussions on ADB’s long-term strategic framework.

ADB’s commitment to more inclusive growth is well aligned with Canada’s values and development priorities. There is a clear need to address the large areas of poverty that persist, not only in the region’s weaker performing states but also in middle-income countries. ADB’s recent Asian Development Outlook highlighted that almost 2 billion people in the region still subsist on less than $2 a day. There is also widening inequality and serious stress for the 500 million who are either unemployed or underemployed. Asia’s future prosperity depends on its ability to use its most valuable resource even more productively – its people.

Canada also supports the proposed emphasis in the EPG report on environmentally sustainable growth and its recommendation that ADB concentrate its energy and environmental activities on global issues such as climate change. The impacts of climate change are already being felt in the region in terms of water availability, biodiversity, food supply, coastal systems, low-lying areas, and public health. In our view ADB is poised to play a key role in ensuring greater cooperation to integrate climate change adaptation efforts more effectively into the national development policies of the most vulnerable developing nations in its region of operation, supported through more effective bilateral, regional, and multilateral assistance.

**Development Effectiveness**

If development assistance is to play an important role in helping Asia to meet the challenge of sustainable development, it must be provided and used efficiently and effectively. Canada, with other countries, has committed to improving aid effectiveness through a new partnership for development based
on the principles of local ownership, alignment, and harmonization, managing for results and mutual accountability. ADB has made important progress in these areas and in particular in strengthening its capacity for management for development results (MfDR). We encourage you to continue to build on your experience in this area.

Taxpayers in Canada and in Asia expect value for money. They are demanding accountability in systems of public governance and they look for development results that will improve their lives. Canada has been pleased to be associated with ADB in mainstreaming the results agenda and would be happy to continue working with ADB to further entrench a culture of achieving development results.

**Institutional Effectiveness and Accountability**

To remain relevant and effective, ADB needs to accelerate the institutional renewal it started as part of its reform process. The EPG report insists that the continuing ability of the ADB to serve the new Asia will require far-reaching institutional changes, including strengthening institutional capacity and eliminating rigidities in human and budgetary resources management. In our view, human resources are a key to the longer-term institutional effectiveness of the ADB. Thus human resource issues merit more sustained attention from the senior management of ADB.

ADB must also be able to attract the best talent, from within and outside Asia. To accomplish this, it needs to improve its ability to be a merit-based and transparent organization that empowers staff and makes best use of their talents.

Just as ADB should function in a more transparent manner, it should also continue to promote effective policies on good governance and anticorruption activities in member countries.

**Conclusion**

I would like to close by paying tribute to President Kuroda and the staff of ADB for their high-quality work and ongoing commitment to the development of the Asia. On this 40th anniversary, we are all aware that ADB faces a dramatically different Asia and a dramatically different challenge to those that it confronted when it was created. Canada commits to continue its support to ADB and to the people of Asia as they move into this new era. We are proud that we have been a partner with ADB for 40 years—and we expect to remain an active partner for many years to come.
It is my great pleasure to attend the 40th Asian Development Bank (ADB) Annual Meeting in the beautiful city of Kyoto. First of all, I would like to thank our Japanese hosts for their hospitality and cordial arrangements. I would also like to welcome Georgia and Ireland as new members of ADB.

In recent years, the economic vitality and potential of the Asia and Pacific region have been in the global spotlight. Economic growth is robust, and remarkable progress has been made in poverty reduction and development. Nevertheless, many challenges persist and they are becoming more complex to deal with; while continuing to lift 1.9 billion poor people in the region out of poverty, we also need to address the new issues that arise during the course of development and to explore new ways of ensuring sustainable and balanced growth. At the same time, we have to handle international economic and financial uncertainties. Bearing in mind the daunting tasks of poverty reduction and development, we believe that cooperation and mutual assistance are more important than ever before.

The past four decades witnessed remarkable contributions by ADB to regional economic and social progress, which in turn has propelled continuous reforms within ADB itself. Amidst profound changes in the region, ADB should not only have a thorough understanding of and deep insight into these changes, on top of that it should lead its developing members in identifying and piloting new growth patterns that fit the situation in the region. In this regard, we applaud ADB’s efforts to undertake operational and institutional reforms in recent years and appreciate ADB’s regional cooperation initiative in particular. It is our hope that the spirit of innovation and experimentation can be carried through, both in further sharpening ADB’s traditional advantage and in pursuing new business modalities. Here I would like to share with you the following suggestions for the future development of ADB.

(i) ADB should continue to consolidate its traditional comparative advantage and adopt a dynamic perspective to supporting infrastructure development in its borrowing members. Projects such as road networks and information and telecommunications are vital, not only to national economic growth but also to regional and subregional development, and they deserve ADB’s continued support. In terms of social development, ADB should explore innovative approaches such as setting up social development funds to reduce borrowing costs and supporting its borrowers from ordinary capital resources (OCR), which are home to two thirds of the world’s poor, to achieve the Millennium Development Goals (MDGs). We also hope ADB will further expand its operations in the private sector, thereby
creating favorable conditions for more active participation of the private sector in regional development and integration.

(ii) ADB should continue to facilitate the mainstreaming of regional cooperation initiatives into its operations and to forge a closer partnership with its developing members. The Greater Mekong Subregion (GMS) cooperation mechanism initiated and facilitated by ADB has become a paradigm for regional and South–South cooperation. Thanks to its active role in regional cooperation, ADB has been enjoying a competitive edge among multilateral development agencies. Such further deepening of regional cooperation has made higher demands on ADB. We hope ADB will: (a) further mainstream regional cooperation by allocating adequate resources and staff members and by strengthening internal coordination so that experience and information can be shared within and outside ADB; (b) continue to be an honest broker and financier for regional cooperation by investing more in infrastructure and software; (c) promote South–South cooperation by enhancing developing members’ capacity to help themselves; and (d) strengthen ADB’s leading role in regional cooperation while engaging more development partners.

(iii) ADB should continue to provide more high-quality knowledge products to meet the increasing demands from developing members. In this connection, we believe that an integrated assistance package of investment, technology and expertise should be pursued in a timely manner. ADB should better position itself when delivering knowledge products and services. It may start from providing knowledge products where ADB has comparative advantage and draw upon regional best practices and lessons. At the same time, ADB should establish a regional knowledge-sharing platform to facilitate experience exchanges among regional members and joint exploration of practical development approaches.

(iv) ADB should continue to adapt itself to the changing situation and to deal more vigorously with the economic and social challenges in this region. To help member countries, ADB itself should have a profound understanding and strategic vision of challenges and should be more responsive and innovative. To this end, ADB should press ahead with institutional reform, and improve assistance policies, operational procedures and lending instruments. ADB should also try to minimize the cost of doing business with it and streamline its decision-making process.

In recent years, the People’s Republic of China (PRC) has maintained rapid growth with improved efficiency and low inflation. Nonetheless, the PRC is still in a transitional period and faces formidable challenges, such as resource constraints, environmental pollution, and regional imbalances.
Therefore, the PRC Government has put forward a people-centered scientific approach to development. We aim to build an energy-saving, environment-friendly socialist harmonious society while sustaining economic growth. We will continue to implement an opening-up strategy for a win-win outcome and mutual benefits, and to contribute to regional and global prosperity through our scientific, harmonious, and peaceful development. Meanwhile, we will further our partnership with ADB, conduct closer cooperation in regional integration, and do what we can to help other developing members in pursuing common development.

DENMARK
OLE MOESBY, Governor

Let me join others in thanking the Government of Japan and the city of Kyoto for hosting the Annual Meeting this year. We are privileged by the excellent arrangements and the kind hospitality.

I would like to join other governors in welcoming Georgia and Ireland as members of the ADB.

Asia is changing and growing at a breathtaking pace. Hundreds of millions of people now enjoy a better quality of life. The report of the Eminent Persons Group (EPG) envisions a dramatically transformed Asia by 2020, where the overwhelming majority of people live in middle-income countries with about 10% still in absolute poverty.

The EPG report is a valuable contribution to the review of the long-term strategic framework. We agree with much of the EPG's analysis and the strategic focus it proposes for ADB in the future. Inclusive growth and sustainable development is the road forward in Asia. In particular, we think that the enhanced focus on infrastructure and energy is right, but this needs to be done in a manner that supports environmentally sustainable and equitable growth.

Economic growth in Asia has already placed the region's environment in a perilous situation, and it is the livelihoods of the poor that are most at risk. We must work collectively on mitigating the consequences of environmental deterioration while at the same time addressing its underlying causes. Growth and environmentally sound policies can go hand in hand. The experience of Denmark shows that it is possible to grow while keeping the use of energy at the same level. Renewable energy and energy efficiency improvements must be brought into play to a much larger extent to meet the energy needs of Asia in an environmentally sound way in future.

ADB must be a leader in combating climate change in Asia. We commend ADB for the many initiatives it has taken so far in the fields of energy efficiency, clean energy and climate change, including the envisaged yearly $1 billion clean energy pipeline. We encourage ADB to continue expanding its role in these fields.
The EPG report appears to be concentrated around the development and needs of the better-off countries in Asia and may be slightly optimistic in its forecasts. We should not forget that Asia still contains the largest number of poor people in the world. About 1.9 billion people still live on less than $2 a day, and more than 600 million survive on less than $1. Disparities between the well-off and the poor are on the rise. Improving the lot of the poor still poses an immense challenge before the EPG scenario is a reality.

The review of the long-term strategic framework—while setting the scene for the transformation of the ADB—must be explicit in indicating how the Millennium Development Goals (MDGs) can be achieved in Asia, and what ADB's role will be, alongside those of other development partners. The review must be an inclusive process. It is of great importance that wide consultations take place to ensure maximum credibility and justification of the outcome of the review, and that the shareholders and the Board are appropriately involved in the review process.

Good governance is a cross-cutting, if very understated theme, in the EPG report. Good governance and the fight against corruption are among the biggest challenges facing Asia—and a key to ensuring inclusive growth. We expect these issues to be given high priority in the review of the long-term strategic framework and for present actions on these issues to be enhanced.

With respect to ADB's implementation of the Paris Declaration, it is disappointing to note that it is making little progress in aligning its business practices with national procedures and in decentralizing authority to its country offices. We hope to see more rapid progress in this respect. We hope that ADB is able to demonstrate how it is implementing its commitments under the Paris Declaration.

Last but not least, at this meeting the first steps have been taken to start the negotiations for the next replenishment of the Asian Development Fund (ADF X). It is important that the negotiations contribute to maintaining the momentum of the Reform Agenda of the ADB where good progress has been made in many fields. They must also address the future strategic role of the ADF within ADB. Lastly, issues related to institutional effectiveness and transparency within ADB also need enhanced attention.

Let me conclude by assuring you of Denmark's continued commitment to supporting ADB in its endeavours to meet the development challenges facing Asia in the years to come.

FIJI ISLANDS

SAVENACA NARUBE, ALTERNATE GOVERNOR

I join fellow Governors in thanking our host, the Government of Japan and especially the city and people of Kyoto for the warm hospitality extended to us
during our stay in this beautiful city. I also wish to extend my gratitude to the management and staff of the Asian Development Bank (ADB) for the excellent arrangements made for this meeting.

ADB has always been a valuable development partner for Fiji. ADB loans and technical assistance have helped to upgrade our infrastructure, build our capacity, enhance our competitiveness through restructuring and reforms, and to alleviate poverty. We greatly value our relationship with ADB.

An interim government was installed in Fiji after the political events of 5 December 2006. I wish to emphasize that the interim government has full and effective control of the country. The judicial system is functioning smoothly. Law and order is under control. The government executive authority is firmly in place and the civil service is functioning normally. Fiji continues its memberships in the United Nations and multilateral institutions such as the World Bank, the International Monetary Fund, and ADB. At the same time, Fiji continues to fulfill its international obligations, including the servicing of its loans to the Asian Development Bank.

Fiji’s interim government is committed to taking the country forward as quickly as possible to full parliamentary democracy. On this front, I wish to report that Fiji’s recent discussion with the European Union has been fruitful in clarifying our road map to democracy. We agreed with the European Union on many important issues. On the key issue of the timing of the next general elections, we have agreed with the European Union that a working group of the Pacific Islands Forum will help assess our ability to hold elections as soon as practicable, but no later than 2010. This working group is expected to complete its assessment next month. Some of the key commitments agreed with the EU include respect for democratic principles, upholding of the 1997 constitution, respect for the freedom of expression, upholding the independence of the judiciary, and preserving the independence of constitutional offices, including the Human Rights Commission. Fiji is resolute in its determination to deliver all of these commitments. We are confident that the commitments with the European Union will help pave the way to normalizing our bilateral relations with all members of ADB and the international community.

Our other major challenge is the need to quickly restore economic growth. Following growth of 3.4% in 2006, a decline of 2.5% is projected for this year. There are encouraging signs that tourism may again be the industry that leads Fiji back to economic growth. The Government is actively assisting several tourism developers to complete large ongoing projects which will significantly raise the future potential of this industry. In addition, we are pushing ahead with reforms in our sugar sector. At the same time, we are hopeful that our only gold mine, which ceased production late last year, will start up again with new owners as early as next month.

However, while we are projecting an economic rebound of 2% as early as next year, we fully realize the huge challenges that we face. Many of these are structural and have been with us for some time. The key economic challenge that we are currently addressing is our widening trade imbalance. Growth in
Fiji’s exports continues to be modest and we have had to manage the impact of changes in global trade agreements on our garment and sugar exports. At the same time, high international fuel prices have come at a bad time for Fiji. These are factors well beyond our control. To help dampen aggregate demand, monetary policy has been progressively tightened in the past 4 years and there are some signs that import demand has begun to wane.

During this period of projected low economic growth, our ability to pump prime the economy through fiscal policy is severely hampered by the rise in our debt level as a result of previous high budget deficits. The Government is, however, committed to reducing its debt from its current level of over 50% of GDP to 45% in the medium term. It has quickly addressed this by limiting the budget deficit to 2% percent of GDP in 2007 with the intention of reducing it further in the medium term. The Government is actively pushing reforms in the civil service, beginning with the restructuring of ministries to spearhead reductions in the size of government in the future. The Government has introduced prudent financial management of public funds and reduction of government expenditure to safeguard government financial position.

We know that our path back to economic recovery will be tough. Fiji is grateful to ADB for continuing its ongoing program in the country. At such a challenging time as this, we expect ADB, as the main regional development institution, to step forward to assist us on our road to recovery. The timeliness and quality of ADB’s assistance and the uniformity of its treatment of member countries in such a situation is important.

For many years now, ADB has been Fiji’s major multilateral development partner. Despite the many vulnerabilities that we face as a small island nation, Fiji is not eligible to access the ADF window. We borrow from ADB on full ordinary capital resources (OCR) terms. Nevertheless, Fiji has never defaulted on our obligations to ADB nor to any lender for that matter. Today, I wish to emphasize to the Board of Governors that Fiji will continue to honor its obligations to ADB and more importantly we do not see any risk associated with Fiji’s future use of ADB resources. I therefore appeal to President Kuroda and the Management of ADB to resume discussions on the future assistance program to Fiji. This will be critical if we are to restore growth as quickly as we can and continue the fight to alleviate poverty.

FINLAND
MARJATTA RASI, GOVERNOR

Let me begin by extending my Government’s warm congratulations to the Asian Development Bank (ADB) on its 40th anniversary. I also join the previous speakers in thanking the authorities of our host country Japan and the city of Kyoto. We are privileged to receive such excellent arrangements and generous hospitality.
It is encouraging that overall growth continues to be strong in Asia, as this is the prerequisite for making progress toward achieving the Millennium Development Goals (MDGs). The high level of economic growth that is transforming Asia is also posing new challenges for ADB. We appreciate the valuable contribution of the Eminent Persons Group to the review of ADB’s long-term strategic framework and for its insights into the region’s future and how this will reflect on the role of ADB.

The Eminent Persons Group report focuses mainly on economic growth and gives a rather optimistic perspective on the trends in poverty by 2020. Considering the slow progress in achieving the non-income MDGs it is, however, not likely that they will be achieved even in a number of middle-income countries by 2020. Further efforts are needed to improve the business and investment climate in order to foster continued high long-term and sustainable growth. The benefits of growth, achieved by ensuring political and economic empowerment and participation, and extended to the entire population, are central to successful poverty reduction and to reaching the MDGs. Consequently we urge ADB to ensure sufficient and explicit attention is paid to this aspect in the review of the long-term strategic framework. Also, when playing a regional role—which we think ADB can and should increasingly do—ADB’s efforts need to be aligned to serve the objectives of more equitable and sustainable growth. In Finland’s view, ADB can bring added value by acting as a catalyst for promoting pro-poor, inclusive and equitable development. Furthermore, ADB has an important role to play in assisting the borrowing countries to increase the attention they pay to governance issues, particularly on strengthening their institutions and developing capacity in them, and in promoting a strong culture of anticorruption.

The role and scope of concessional financing within ADB needs to constitute a central element in the review. We also encourage ADB to make the most of the review to continue and accelerate its transformation into a financial institution with a clearly defined role based on its comparative advantages, redefining its business strategy, and aligning the institution behind its execution.

Improved aid efficiency is fundamental to enhanced results, as well as a prerequisite for additional development financing. On the threshold of the Asian Development Fund replenishment (ADF X) it is crucial that ADB continues to demonstrate firm commitment and capability to effectively deliver on the reform process. Enhanced institutional and development effectiveness as well as tangible results that indeed contribute to reducing poverty and meeting the MDGs will be instrumental in ensuring strong support for ADF X. Beyond changing structures, a sound corporate cultural transformation is indispensable and this will require firm dedication and action by the top management.

We welcome the emergence of new providers of resources in the international aid architecture. Large private funds, emerging donors, and vertical programs are becoming increasingly important sources of development assistance. While this development presents opportunities, the growing number of donors and increased earmarking of funds also means that efforts need to be made to avoid transaction costs and duplication of development efforts.
Stronger donor harmonization and alignment is therefore fundamental to making effective use of the opportunities of this evolving international aid architecture. Finland expects ADB to provide leadership in that regard, and to demonstrate clear progress when it comes to a stronger country presence and increased selectivity in its country programs. We have seen good progress in some partner countries, while much remains to be done in others. We strongly encourage all stakeholders, including ADB, to strive further for increased complementarity and division of labor. The principle of mutual accountability should remain at the centre of this process and implementation of the Paris Declaration should be kept to the forefront.

Being in Kyoto for this annual meeting reminds us of our obligations to fight climate change. In Asia high growth and increasing consumption pose serious challenges in terms of energy supply and environmental impact. Finland values ADB's work on clean energy and energy efficiency highly and supports the focus on environmentally sustainable growth as envisaged in the report of the Eminent Persons Group. It is important that ADB actively continues efforts to increase financial resources to meet energy needs in the region and assists countries to make the transition toward becoming low-carbon economies. ADB also needs to accelerate measures that will assist developing countries to adapt to the consequences of climate change. In support of ADB's Carbon Market Initiative, Finland is planning to contribute to the established carbon fund.

Let me conclude by assuring you of Finland's continued support to ADB in meeting development challenges and in promoting long-term prosperity in the Asian-Pacific region.

FRANCE

RAMON FERNANDEZ, Alternate Governor

On behalf of the French Government, I am very pleased to celebrate the 40th anniversary of the Asian Development Bank (ADB). I would like to begin by expressing my sincere appreciation to the Japanese authorities for the quality of their hospitality in the city which symbolizes the international community’s efforts in last 10 years to combat global warming, the urgent importance of which is increasingly recognized.

We all know that Asia is the continent which has recorded the best results in poverty reduction, due, in particular, to the dynamic performance of the region’s economies. The rate of growth in the region in 2006 was the highest since 1995 and the outlook for 2007 remains positive. Asia successfully weathered the challenges identified last year: rising commodity prices, avian influenza, and slowing growth in the USA. ADB has undoubtedly contributed to this good performance. We are very pleased with the results ADB has achieved over the past four decades, and we trust that this performance will be maintained.
Ten years after the Asian crisis which undermined the region’s remarkable progress until then, these favourable results are a sure sign of success, even though a lot remains to be done to achieve the Millennium Development Goals. These achievements imply a growing responsibility in the conduct of global economic and financial affairs, whether these involve multilateral dialogue, environmental issues, or assistance to the poorest countries. In this respect, I welcome the fact that the ADB is an active participant in the discussions undertaken by the multilateral community regarding various issues of common interest, including support for fragile states. We must mobilize our resources to ensure they follow the same development path as successful countries in the region.

In an ever-changing world, institutions must adapt. The International Monetary Fund has embarked upon a reform effort aimed at better addressing the legitimate expectations of Asian countries. A similar reform agenda lies in store for ADB. ADB has not been idle and the publication of the report of the Eminent Persons Group will provide useful input for discussions on ADB’s future. This report paints a thought-provoking picture of some of the major challenges that ADB must address and poses a number of questions that we will have to examine when ADB’s long-term strategy is defined. I am thinking in particular of ADB’s evolving role in a region which, according to the authors of the report, ought to be out of mass poverty in over a decade. On the basis of this undoubtedly optimistic assumption, the authors propose an innovative strategy, some of whose implications are questionable, especially those on financial and monetary issues. ADB should not forget the core of its mandate. The report also raises the issue of the respective future roles of regional and non-regional members. In my opinion, this issue should be especially examined in light of the growing financial power of the Asian emerging countries and their contribution to financing for ADB. The forthcoming replenishment of the Asian Development Fund (ADF X), which we are embarking upon this year, provides an opportunity to ensure that they become more closely involved in the financial effort of the donor community, but also in the definition of ADF policies.

This replenishment will complement ADB’s commitment to relieving the debt of the poorest countries: it is entirely appropriate that those countries in the region that are eligible for the heavily indebted poor countries (HIPC) initiative should benefit from it. Furthermore, ADB’s partners should shoulder the cost of these efforts in the context of the ADF replenishment, and all should then contribute to the successful implementation of the debt sustainability framework shared by the international financial institutions. This goal should be pursued in tandem with measures to improve the management of the ADF, following the work programme we discussed yesterday.

Furthermore, I welcome the recovery in ADB’s sovereign lending in 2006. That said, the rapid rate of growth in the region will sooner or later bring about a pronounced slowdown in sovereign lending, and, in ADB’s portfolio, loans are heavily concentrated among a handful of borrowers: at the end of 2006, a mere
five countries accounted for more than 90% of the total loans outstanding. Efforts to achieve greater geographic diversification and to boost activities in nonsovereign lending as well as in the private sector should therefore be made. Such an adjustment will require changes in ADB’s expertise and human resources management, as well as the definition of an enhanced middle-income countries strategy.

France believes that the ADB should continue to play a key role in stimulating economic growth in Asia that will benefit all populations. In conformity with its mandate, ADB is also a forum for dialogue and interaction that allows us all to continue moving forward in a spirit of partnership. You can count on our full support in this process.

GEORGIA

ALEX ALEKSISHVILI, Governor

It is with tremendous pleasure that I address today this distinguished gathering. It is also with deep respect for the unique global mandate of the Asian Development Bank (ADB) and all its members that I represent Georgia, ADB’s newest member.

I thank the Japanese organizers and all the speakers who have extended a warm welcome to us.

Embracing on its cooperation with the ADB, Georgia believes it can be both a giver and a receiver.

We join ADB as a country with a rich history, ancient heritage, and unique cultural traditions which reflect our geographic location and underpin our aspirations for integration with both Europe and Asia.

We join ADB as a vibrant democracy, whose key foreign policy goal is regional, cultural, political and economic dialogue, and whose society has traditionally been keen on reaching across national borders, on learning from others, and on sharing with the world its own culture.

We join ADB as a dynamically changing economy where reforms are ambitious, far-reaching and successful, where the aspirations of the more and more segments of society are being met, and where the prevailing feeling about the future is that of optimism.

We join ADB as a country whose recent social and economic transformation has received major accolades from a number of institutions. Georgia was recognized as the top global reformer of 2006 by the World Bank’s “Doing Business” study and other global surveys have pointed to Georgia’s achievements in building transparent public institutions, securing economic freedom through fast-paced liberalization of the economy, and creating level playing fields that foster self-expression and competitiveness.
We join ADB as a country where GDP growth rates are high and on the rise, where the financial, real estate, and external sectors benefit from the most liberal tax and customs regimes and licensing requirements in the region. Georgia’s low tax rates will be further reduced as a result of a proposed tax reform. At present, more than 90% of imported goods are free from import duties and only imports of agricultural products are taxed.

We join ADB as a country that saw record levels of foreign direct investment (FDI) inflows last year. Even higher levels of investments are expected in 2007. This success is largely attributable to Georgia’s significantly improved business climate, which allows for fast business start-ups and sets no limits on capital repatriation for investors.

We join ADB as a country whose growth trajectory has in no way been derailed by the Russian Federation’s politically-motivated embargo. Indeed, despite this shock, Standard and Poor’s sovereign credit rating for Georgia remained at B+, confirming the resilience of the economy and thus its attractiveness for investors.

We join ADB as a country whose public finance management has been improving fast, where the civil service has become a magnet for highly-qualified and motivated people, and whose Labor Code has been hailed as one of the world’s best by international organizations. Sectoral reforms are driven by the intent to install meritocracy and by institutional and systemic discipline.

We join ADB in the hope that we can learn more from and about Asia. We know membership in ADB can provide an excellent springboard for forging closer ties between Georgia and ADB’s other members.

Georgia is ready to contribute to ADB’s mandate and to apply the breadth of ADB’s cooperation instruments to address the problems that we face.

We hope that the terms and the scope of the ADB’s support to Georgia will reflect Georgia’s significant challenges and thus provide for the implementation of projects with far-reaching social implications.

We thus hope to secure support that will allow us to implement projects in roads, energy, municipal and irrigation sectors, as well as sectoral road maps. As an aid to predictability, we welcome multi-year investment programs and multitranche financing facilities. We also hope for reform-based budget support operations.

Given Georgia’s substantially improved public finance discipline, we welcome reliance on the country systems of procurement and of fiduciary management.

We also believe that public projects cannot and should not crowd out private sector projects. ADB’s concerted public sector development effort in Georgia can produce enormous benefits.

The Government stands ready to facilitate ADB’s cooperation with Georgia’s private sector. Instruments of cooperation can be numerous. With the quickly maturing corporate culture in the country, I am certain that working with Georgia’s businesses will be a mutually enriching exercise. Private sector development is the key to our future prosperity, so please invest in our private sector and, by so doing, please set an example for private investors from Asia.
We are thankful for the early dispatch of the ADB missions to Georgia earlier in the year to discuss ways of matching ADB’s possibilities with local needs.

Mr President, I extend to you an invitation to visit Georgia. It would be an honor to see you in Tbilisi this year. The visit could be significant for agreeing a country partnership strategy, for discussing cooperation with other key international financial institutions (IFIs) in Georgia, and for seeing how to best to institutionalize ADB’s presence in Georgia.

GERMANY

KARIN KORTMANN, Governor

Let me begin by thanking the Japanese government and you, President Kuroda, as well as your team very much for the perfect organization of this Annual Meeting. The warm welcome which we have been given here in Kyoto gave us a chance to experience Japan’s famous hospitality.

At this Annual Meeting, we have been presented with the report Toward a New Asian Development Bank in a New Asia. It outlines, based on a very radical intellectual approach, a vision for the Asian Development Bank (ADB) in 2020. In the 40 years since ADB was founded, Asia’s political, economic and social situation has changed fundamentally. A completely new global balance of power has emerged, with Asia moving from the sidelines to the center. Both global and regional financial markets have developed to the extent that they compete with ADB in offering most Asian countries a broad range of financing options for expenditure on investment. The report presents a compelling case for the need for the Asian Development Bank to undertake deep reform and reorient its work.

We welcome the fact that ADB is accepting this challenge. We are willing to walk with ADB as it redefines its work. The reforms and ADB’s future orientation must be discussed and decided upon in an open, transparent and participatory process involving all shareholders.

I welcome the fact that the report highlights the need to move toward environmentally sustainable growth and also underlines the responsibility of Asia’s emerging economies to take action to limit the use of natural resources and, in particular, action for climate protection.

Let me be very clear about one thing: we are not advocating zero growth. It would not be possible to attain poverty reduction with zero growth. What we want to do is to decouple economic growth from resource use and rising carbon emissions—in our own country, but also in developing countries and emerging economies. We fully agree with the report of the Eminent Persons Group that support for environmentally sustainable growth should be one of ADB’s future priorities.
Sir Nicholas Stern’s report and the reports of the Intergovernmental Panel on Climate Change (IPCC) have shown that the impact of climate change will be dramatic but that it is still possible to counter it. This requires, however, quick and decisive action. In this connection, I would like to point out that, under Germany’s current EU Presidency, binding objectives have been adopted for all EU countries to achieve a 20% share of renewable energies, to reduce emissions by 20%, and to use 20% less energy. In the global context, we need to call upon other countries, too, to adopt such milestones.

By adopting the Carbon Market Initiative, ADB has taken the first step. Now it needs to be implemented quickly so as to achieve impact. We expect the new energy policy to focus on increased use of renewable energy and on improved energy efficiency—in more general terms: sustainable energy for sustainable development.

In this connection, let me briefly comment on the upcoming safeguards update. Compliance with strict environmental and social safeguards is part of the concept of sustainable development. It is important to harmonize standards internationally at the highest level and to help partner countries gradually incorporate such standards into their national regulations. We must not accept downward harmonization.

Poverty reduction and the achievement of the Millennium Development Goals must remain at the top of ADB’s agenda. Even though there is impressive economic growth in vast parts of Asia, there are still many places (also in the emerging economies) where widespread poverty is still a sad reality. Inclusive growth must be our goal. This is also an issue on which I agree with the report of the Eminent Persons Group. The dialogue on the right country-specific strategies must be continued. And I would like to expressly encourage ADB to give civil society—both local and international nongovernment organizations (NGOs)—an important role in that dialogue.

At this point, I would like to share a personal experience. The world of glittering tall and ever taller high-rise buildings, symbolizing rapid economic growth, stands in stark contrast to great poverty in rural areas and in urban slums. High tech exists alongside malnutrition, child and maternal mortality, lack of access to water and sanitation, and lack of education opportunities. This struck me once more almost painfully some weeks ago during my most recent visit to Manila, where ADB is headquartered. When we visited a project site we saw hundreds of families living on a dump, preparing their meals and nursing their babies amidst burning, smelling garbage. Just a few minutes’ drive from there, we were in an affluent neighborhood of mansions, protected by security guards, with large gardens, swimming pools and a lot of domestic staff. We must no longer be willing to accept such huge differences between wealth and poverty. This is intolerable.

In Manila in particular, but also in many other large cities in Asia we can see the consequences of too rapid and unsustainable urbanization. This is why we, the German Development Ministry, together with ADB held a conference in February to launch the City Development Initiative for Asia.
its goal is to create a pool of knowledge and funding for sustainable urban
development. We will provide start-up financing to support the establishment
of a secretariat at ADB. But the high level of demand and interest on the part
of stakeholders—that is, representatives of municipalities and cities—shows
us that we need support from other donors, too, for this initiative. You are
cordially invited to join!

Let me now comment on another important aspect. The impressive growth
in Southeast Asian countries and the crisis of the late 1990s have shown very
clearly that a market economy—the basis for successful development—needs
a strong state, functioning institutions, and clear legal regulations. The post-
Washington consensus is perfectly right in underlining the role of the state
in the development process. The neoliberal idea of a minimalist state with
one-sided deregulation and overhasty liberalization and privatization has been
proven wrong by Asia’s economic success.

So I expressly welcome the fact that the report of the Eminent Persons
Group underlines the need for active economic policies and for government
programs that correct market failures and asymmetries where such action
is needed in the interests of pro-poor, inclusive economic growth. Professor
Stiglitz, Nobel Prize Laureate in Economics, said in his most recent book,
Making Globalization Work, that “economic success requires getting the
balance right between the government and the market. Without appropriate
government regulation and intervention, markets do not lead to economic
efficiency.” This realization must be taken on board by ADB.

The report of the Eminent Persons Group provides answers. But it also
raises a number of very serious questions which it leaves unanswered. In
conclusion, let me just mention two central issues. The report mentions, but
does not specify, the need to redefine the roles of regional and nonregional
ADB member countries in line with changed economic realities. The report
fails to mention the future role of the Asian Development Fund. However, it
recommends that ADB should withdraw from non-middle-income countries in
the long term and leave it to other organizations, for example the World Bank,
to support the less developed countries. I look forward with great interest to
the response which ADB’s Management will give to that.

We for our part expect the regional emerging economies to shoulder a
significantly higher burden share in the coming ADF replenishment round.

Germany and ADB have had particularly close cooperation over the past 12
months. In November, you came to Germany and we held the ADF Midterm
Review in Frankfurt. In February, we jointly held a conference on “Investing
in Asia’s Urban Future” in Manila and agreed to cooperate closely in this
area. I would like to invite all member states to join. In March, the Asian
Development Outlook was presented in Berlin for the first time, meeting
with a broad response. I am looking forward to continuing and intensifying our
cooperation.
I would like to thank the Government of Japan and the people of Kyoto for their hospitality in hosting this year’s Annual Meeting of the Asian Development Bank (ADB). I would also like to congratulate Mr Kuroda on his re-election as the President of ADB.

This year marks the 40th anniversary of ADB. Over the past four decades, Asia has achieved remarkable development, particularly in terms of economic growth and the reduction of poverty, and clearly ADB has contributed significantly to this achievement. It has established itself as a regional financial institution of strategic importance.

Asia has undergone remarkable changes too over the past four decades and in many ways. In particular, the economic dynamics within the region, and between the region and the rest of the world, have shifted. Changes have been particularly marked in the past decade or so, under the influence of globalization and the revolution of information technology. There has, for example, been rapidly increasing trade integration, encouraged obviously by the high degree of freedom in international trade, and consequently increasing economic interdependence within the region.

Changes always present new challenges and opportunities. For these new challenges to be met and the new opportunities to be exploited, there is often a need for new approaches and initiatives, at both national and international levels. There is a view, for example, that trade integration in the region has not been adequately served by financial integration, given the restrictive controls on capital mobility still being practiced in selected jurisdictions. As a result, there is some doubt as to whether the long-term development potential of the region has been maximized and whether the rapid economic growth the region is experiencing is sustainable. There is further concern about the maintenance of monetary and financial stability. New approaches and initiatives are indeed necessary to promote greater financial integration in the region.

I am sure there are many other areas concerning the development of the region in which new approaches and new initiatives may be desirable. Being a regional financial institution of strategic importance, it is obvious that the ADB has a significant role to play. I would argue that this should be a role of increasing significance, or even a pivotal role, given the increasing interdependence among jurisdictions within the region and therefore the greater need for regional cooperation. ADB has the right institutional framework to promote such cooperation, and I am glad to see that under the leadership of the President there has been increasing involvement of the ADB in regional financial cooperation recently.

I welcome ADB’s intention to launch a review of its long-term strategic framework and the fact that this has been preceded by the work of the Eminent
Persons Group convened by the President last year. I am also happy to see emphasis being given in the report of the Eminent Persons Group to financial sector development and financial integration in the region, among other operational priorities. I certainly hope that this emphasis in the report will be reflected, through the review process, in the long-term strategic framework. I feel that such a strategic review should cover the governance structure of ADB as well, in order better to reflect the new economic realities and the Asian heritage of the ADB. Hong Kong, China, looks forward to contributing appropriately to this review process and to seeing a new long-term strategy developed for ADB that would reflect the consensus of its members and stakeholders.

INDIA

D. SUBBA RAO, Alternate Governor and Head of Delegation

I would like to thank the people and the Government of Japan, and the Asian Development Bank (ADB), for their warm hospitality and meticulous arrangements for the Annual Meeting.

India’s growth rate has grown from 7.5% in 2004-2005 to 9% in 2005-2006, and to about 9.2% in 2006-2007. We are on a high growth trajectory with an average growth rate in the last 3 years of 8.6%, taking us closer to the Millennium Development Goals. Today the population of India is over 1 billion. Just last week, we marked an important milestone when our GDP crossed the $1 trillion mark. In India, the main drivers of growth are the manufacturing and services sectors, which are estimated to have grown by over 11% last year. We are confident that the Indian economy is in a stronger position than ever before, and, reflecting this growth optimism, our Eleventh Five Year Plan has set a growth target of 9% for the period 2007-2012. Translating rapid growth into broad-based poverty reduction poses a major challenge. India’s growth prospects are critically dependent on improving agricultural production and productivity, increasing investment in infrastructure, ensuring better outcomes in health and education, and improving governance.

Our objective is not only faster but also more inclusive growth. For India to achieve double digit overall growth, the quality and capacity of our infrastructure will be critical. India needs to invest $320 billion–$350 billion in infrastructure over the next 5 years. At over $60 billion per year, this amounts to about 8% of our GDP. We hope that ADB will play a major role in supporting our large program for infrastructure building. Public–private partnerships can contribute significantly to meeting the resource gap for infrastructure investment. Flexible country exposure limits for private sector operations will enhance the capacity of ADB to contribute to India’s infrastructure building by financing both viability gap funding and directly boosting private investment.
in infrastructure. As more than 75% of the resource requirements will have to be generated by the Government, we expect ADB to continue to play an increasing role in our development efforts.

We are meeting a decade after the financial crisis which engulfed East Asia. It is a tribute to the economic resilience of the region that the economies of the East Asian countries have rebounded with remarkable speed, doubling the value of their regional output, halving poverty rates, and accumulating over $2 trillion in foreign reserves. Output growth in Asia, at 7.6%, continued to be strong in 2006. Emerging Asia posted a growth of 9% in 2006, enabling global GDP growth of 5.4% in that year. A steady global expansion of output and trade, moderate inflation with low real interest rates, and the impact of earlier reforms on productivity have contributed to this expansion. The current account balance for Asia as a whole was in surplus, exceeding 4% of GDP in 2006. It is abundantly clear that the nature of investment demand is changing rapidly, which is an indication of the inherent strength and resilience of Asian economies.

ADB, as the leading regional development bank, can justifiably take pride in, and credit for, the emergence of Asia as the engine of world growth. ADB has taken numerous initiatives under its innovation and efficiency initiatives to become more responsive to its clients and more efficient in its operations. The introduction of multitranche financing, nonsovereign public sector lending, and local currency lending for the private sector are praiseworthy initiatives and must be continued and expanded further. We have always supported ADB in initiatives which address the needs of developing countries and will continue to do so.

I want to make four comments about the way forward.

Transformation of ADB

My first comment concerns the transformation of ADB, reflecting the rapidly changing Asian economic scene. We are happy to note that President Kuroda has taken the initiative to set up an Eminent Persons Group (EPG) to make recommendations for maintaining ADB’s operational relevance and efficacy as a regional development bank. The EPG has suggested some changes in the strategic focus of the “New ADB”. The focusing of ADB’s operations on inclusive and sustainable growth, while promoting regional integration, should be appropriate for the emerging needs of the region. The EPG has also rightly observed that the transaction costs associated with doing business with ADB will, over time, become the most important factor in the decision of DMCs on whether to engage with ADB. In terms of the ease of doing business and reducing transaction costs, ADB’s operational efficiency and response time must approximate levels in the private sector. The asset liability management policy needs to balance the imperatives of financial strength and least cost lending. Commitment fees should be reduced further and not be treated as a source of income. Transaction costs can be reduced by adopting country systems and policies on safeguards and procurement, especially where domestic institutional mechanisms are based on principles of good governance. We are in
broad agreement with the EPG’s recommendations. We expect Management to engage the shareholders as it carries out this transformation.

**Capital Increase**

My second comment has to do with the capital Increase. ADB made a welcome break in 2006 from its stagnant lending level over the past decade. As ADB gears up to regain its relevance through the delivery of mutually agreed country programs, the available resources will come under strain by the end of 2009. While we welcome new member countries, the management structure of ADB must reflect the changing reality in Asia and the emerging role of some of its economies in driving not only growth in Asia but globally, and also its regional character. It is time that fresh contributions are invited from member countries and the issue of a capital increase is taken up early, preferably in the current year.

**Regional Cooperation**

My third comment concerns regional cooperation. ADB has been advocating regional cooperation among member countries and we support all efforts that further this objective. We would like to see a significant upgrading of regional cooperation. India has been maintaining that the regional cooperation arm of ADB should be in addition to country programs, and that lending should be on a more favorable terms than the normal lending rates from ordinary capital resources.

**Clean Energy**

Finally, I want to make a brief comment on clean energy. We welcome ADB's setting up of a Clean Energy Trust Fund and an Asia Pacific Carbon Fund. India is committed to following an environmentally sustainable energy policy with a spirit of mutual accountability and the principle of “common but differentiated responsibilities” as its cornerstones. There is a need for more resources, especially on grant terms, to address barriers to investments in clean energy and energy-efficient projects.

As one of the largest economies of the region and one of the fastest growing economies in the world, we look forward to enlarging the amount and enhancing the quality of our engagement with ADB.

**INDONESIA**

SRI MULYANI INDRAWATI, Governor

On behalf of the Indonesian delegation, I would like to express my appreciation to the people and the Government of Japan for their gracious hospitality and warm welcome to this historic city. Allow me also to congratulate President Kuroda for his continued impressive leadership in guiding the Asian
Development Bank (ADB). Good leadership will be crucial over the coming years as ADB embarks upon changes to its long-term strategic framework.

The year 2007 is indeed significant for ADB—marking 40 years of commendable operations in the Asia and Pacific region. Those 40 years have seen cataclysmic events hit the region, including natural disasters, financial crises, and even wars—but we have also seen a spirit and resilience that led to one of the 20th century’s most remarkable economic transformations. The Asia and Pacific region, previously home to many of the world’s poorest countries, experienced an economic phenomenon that other regions of the world seek to emulate. ADB can be proud of its role in this miracle, and in particular of its contribution to reducing poverty and advancing development.

ADB still has a major development role to perform as the region continues to witness uneven growth. We may see this persist over the next 40 years if we do not act. There is much that ADB, as the region’s own development bank, can do. We urge ADB to continue being responsive to the needs of the region, to build the region’s infrastructure, and always to look for ways to improve its operations and the timeliness of project implementation. At some point over the next 40 years it is my hope that all of our friends and neighbors will enjoy the same level of economic and social prosperity.

Over the past year ADB made good progress in meeting objectives. We congratulate ADB for its achievements to date in pursuing internal reform, reflected in its medium-term strategy II (MTS II). The MTS II will take forward ADB’s internal reform agenda and its efforts to improve its service delivery to its members. The MTS II also demonstrates ADB’s commitment to scaling-up operations in the region, reflected in a significant increase in total assistance to developing member countries (DMCs) in 2006.

We thank ADB for formulating and adopting a framework for enhancing ADB’s support to borrowers of ordinary capital resources (OCR), including listening to OCR borrower requests for reduced commitment charges. This is particularly valued because it addresses three of Indonesia’s main concerns: reducing the cost of doing business with ADB; expanding and enhancing ADB’s operational instruments; and enhancing the quality of ADB’s services. We would like to see continued momentum on these initiatives.

We also thank ADB for the decision to maintain loan charges at current levels, including an additional 12-month waiver extension on front-end fees. We understand a review of loan charges is undertaken annually and is subject to ADB’s net income position. Given ADB’s strong financial outlook for the next 2 to 3 years, we would appreciate it if the reduction in loan charges were maintained over the medium term.

Indonesia would also appreciate a further streamlining of borrowing procedures. We believe it is also important to review cost-sharing requirements and to find a more flexible approach to counterpart funding at the project level. This would help ensure member countries, including Indonesia, enjoy more favorable loan terms relative to the private sector, which is in line with ADB’s developmental mission.
We support the new business processes to enhance country strategy and program preparation as well as its implementation. We appreciate the name change of the country strategy and program (CSP) to country partnership strategy (CPS), which we believe better reflects country ownership of ADB development programs. To support CPS implementation, ADB should increase the role and authority of resident missions.

We are pleased to note the adoption of the financing partnership strategy and view this as an important way to leverage and optimize ADB’s assistance to member countries. We look forward to the implementation of this strategy, and are keen to see rapid progress on the wider and more innovative use of ADB’s credit enhancement instruments as a means to help mobilize commercial financing for infrastructure projects.

We are also pleased to note the work on the regional cooperation and integration strategy. The strategy will provide ADB with a sound framework, offering more cohesive and effective support for initiatives aimed at expanding intra-regional trade, mobilizing regional savings to finance investments within the region, improving physical connectivity, and reducing the region’s vulnerability to external shocks. It should be noted that implementation of this strategy would place heavy demands on ADB Management and staff. It will be important to monitor progress and results closely.

We look forward to the review of ADB’s long-term strategic framework, and would appreciate it if the review would take into consideration our views expressed on the Eminent Persons Group report yesterday.

Let me turn briefly to the Indonesian economy. Over the last few years, Indonesia has made steady economic progress and weathered some major storms. Catastrophic natural disasters, the high international oil price, avian influenza, and a significant reduction in Indonesia’s domestic fuel subsidy scheme all caused market disruptions. I believe Indonesia responded deftly to these crises, and did so while maintaining economic growth.

The economy grew by about 5% by mid-2006 and improved significantly in the third and fourth quarters to average about 5.5% for the year. There are positive signs in the quality of growth—exports and investment are increasing. We continue to maintain our macroeconomic stability. The current account surplus increased to about $9.6 billion in 2006. At year’s end, the rupiah had stabilized at about Rp9100 to the US dollar, the Jakarta Stock Exchange traded at near all time highs, and inflation had fallen to about 6.6%. We are confident growth will accelerate and we are projecting growth rates of 6.3% for 2007 and between 6.7% and 6.9% for 2008.

Over 2007, Indonesia continued to pursue a prudent fiscal policy with an emphasis on maintaining budget discipline and public debt management. The Government debt-to-GDP ratio has declined sharply, and fell to 41% at year-end 2006. The Government’s strong debt management performance and stable monetary conditions enabled Indonesia to access the international bond markets on favorable terms throughout the year.
The economic improvements have resulted from our determination to achieve fiscal resilience and sustainability. Indonesia is also committed to improving governance and to rooting out corruption and we expect this will pay long-term dividends. We have recorded some good results and President Yudhoyono’s anticorruption crusade is resonating with a formerly skeptical public. My ministry is at the forefront of endeavors to help implement the President’s vision.

Indonesia has introduced a new government accounting system that provides the basis for a more transparent and accountable budget. We have strengthened independent anticorruption bodies. Whether they want to or not, those using state funds have to make greater efforts to account properly for funds spent. Good governance initiatives and anticorruption endeavors will continue to receive my full support. I appreciate the assistance we are receiving from ADB members with this important undertaking.

The Ministry of Finance has also prioritized reform of the bureaucracy. I have instigated a four-phase action plan. The first phase was a structural reorganization to match better the challenges facing the Ministry. The establishment of the Fiscal Policy Office is part of that effort. The second is improving business processes. I have already had an analysis and evaluation undertaken of my senior and middle-level managers, developed standard operating procedures for managers, and analyzed work loads. The third element involves paying close attention to improving my staff’s human resource needs and having computerized staff records. And lastly, and probably most popular with my staff, is an improvement to incentives and working conditions.

Indonesia is also working hard to improve its attractiveness as an investment destination. We believe we can create a better investment climate by improving the regulatory framework and removing obstacles such as infrastructure constraints. To this end, the Government has launched three major policy reform packages aimed at accelerating infrastructure development, strengthening the financial sector, and improving the investment climate.

Indonesia’s hard work on economic, political and governance reforms is paying dividends and we are beginning to reap the benefits of our reform and restructuring process. This is helping us to position ourselves to grasp new opportunities. Reforms can be painful; they require hard work, commitment, and good leadership. However, we must persist with the struggle even when faced with what seem to be insurmountable obstacles. I wish ADB well with its own reform efforts.

As I mentioned at the outset, ADB, drawing on its 40 years of experience, has a solid foundation to continue its good work in the Asia and Pacific region. It has one of the most important roles to play in advancing the region’s development agenda. To this end, it will remain vital for ADB to collaborate extensively with its members, other multilateral institutions such as the World Bank and the IMF, and regional forums such as the Association of Southeast Asian Nations, together with the People’s Republic of China, Japan, and the Republic of Korea (ASEAN+3), and the East Asia Summit (EAS). This will help clarify divisions of labor and ensure efficient resource allocation.
I expect ADB to remain one of Indonesia’s most important partners, and I believe it will play a significant role in infrastructure development and in shaping and supporting Indonesia’s economic and social reform. I urge ADB to continue working closely with individual members to ensure projects are in accordance with specific development needs and that national ownership of projects remains evident.

Over the coming decades, ADB must not lose sight of its development focus, its commitment to improving the region’s infrastructure, and to supporting activities that fast-track poverty reduction. Judiciously pursued, these objectives will help the region work toward equitable growth—responsiveness, flexibility and adaptability will remain vital in this regard.

I would like to wish President Kuroda and ADB Management every success as they press ahead with what is an important, complex and challenging agenda. Here in this historic city, I would like to emphasize Indonesia’s commitment as a solid and reliable partner in this process. May ADB’s next 40 years prove to be as productive and momentous for the Asia and Pacific region as the organization’s first 40 years.

IRELAND
ROBERT BRADSHAW, Head of Delegation

It is an exceptional pleasure to be back in Kyoto and to speak on behalf of Ireland for the first time at this very significant anniversary meeting of the Asian Development Bank (ADB). Let me thank the people of Japan and the various regional and national authorities for their outstanding welcome. They have done everything possible to make us welcome, except to postpone the flowering of the cherry trees.

My personal journey to Kyoto today began at the beautiful honeymoon island of Jeju. At that annual meeting, Ireland first began, rather shyly, to hold hands with ADB. Let me thank, in particular, my Canadian colleagues for initially making the introductions. When we reached the city of Istanbul, that bridge between the continents of Asia and Europe, we were almost engaged. Indeed by the time we reached Hyderabad, we had become so intimate that some of the ADB members had to change their speeches at a very late stage to drop their remarks of welcome to us as new members. I apologize to them. Although we had actually paid up the dowry before reaching Hyderabad, some paperwork still remained incomplete.

However it is curiously appropriate in this institution that our first remarks should be made here in Japan and in the city of Kyoto in this anniversary year. It is a happy accident but still we apologise for being late-comers. It was not lack of interest, more lack of money in Ireland, that kept us away from ADB for so many years and there can be no better place to begin to play our part in ADB than in Kyoto.
The overall economic outlook continues to be very encouraging for Asia. Asia is certainly the most dynamic region in the world in terms of economic growth at present, and also in terms of the changes taking place there. Economic indicators are set fair in this region and now Asia is much more a creator of world demand than it used to be. Jobs are being created and poverty is in decline. Infrastructure is being built.

We in Ireland see this only as a positive development. It does not make us at all uneasy about the changing world order. The world has always changed and a change for the better, anywhere, is in all our common interests.

Neither do suggestions that ADB, or other multilateral institutions, consider making much better use of the Asian foreign reserves and channeling them into investments within the region make us in any way uneasy. Asian business has been extraordinarily good at capital formation, and at mobilizing local or family resources, but there remain many regional needs to be serviced and local capital markets are, in some cases, small and rather fragmented. Our European experience has been that regional initiatives can help the smaller regional states greatly, not only through building consensus, but by reducing trade barriers, and creating new regional institutions. If anything, smaller states have most to gain from economic integration and from regional initiatives. Our experience in participating in the many exciting developments in financial market engineering that have characterized Europe in recent years is that there are far fewer real problems to solve than you would expect, but that the discussion also takes longer than you would foresee. ADB is moving along on a path that may take decades to achieve but will reach a good destination.

Despite this strong and very encouraging element of progress in Asia, we must not underestimate the challenges still facing the Asia region. Access to health care, to education, and to employment, especially for women, remains a problem and some countries have not kept up with their peers.

The problem of uneven development is a particular challenge for ADB, where the spread between the very best performers and the worst is now particularly marked. More and more Asian states are moving upward but a few seem to be stuck. As the ADB poverty reduction strategy reminds us, the proportion of the poor in the Asian region is declining, but there are still more than 620 million people living in absolute poverty. The speed of Asia’s recent economic and social progress is already unprecedented. We agree with the Eminent Persons Group that our emphasis in ADB should be on supporting higher and more inclusive growth, but we need to ensure that growth happens in the backwaters as much as in large cities. This, as we know, is a much harder task to achieve. Here too, some Asian states have had more success than others, particularly in the matter of rural development.

We think that an adequately funded replenishment of the Asian Development Fund (ADF X) is indispensable.

There was a rich man who promised to build a torii, or memorial gateway, of good metal if his prayers for success were granted. He obtained all that he desired, but then he built a torii with three exceedingly small steel needles,
saying that this fully honoured his promise. We cannot fulfill our promises in relation to the Millennium Development Goals (MDGs) in such a mean spirited manner.

As the Japanese proverb says: nothing will grow, if the seed be not sown.

We stand ready to contribute to this initiative and hope in time to earn our place in this bank and to repay our constituency partners for their bravery in accepting us.

ITALY
IGNAZIO ANGELONI, Alternate Governor

First I would like to express our deep appreciation to the Government and the people of Japan for their generous hospitality in Kyoto. With its wealth of history and culture, Kyoto can be a rich source of inspiration for us. I also take this opportunity to extend a warm welcome to Georgia and Ireland, new members of ADB.

Economic Situation in Developing Asia

Developing Asia continued to enjoy buoyant growth last year, and the outlook for this year and next remains very favorable. While the US economy has slowed down, the economic recovery in Europe and in Japan is gathering strength. Financial market conditions remain supportive, with low spreads, strong equity valuations and ample liquidity.

There are, however, a number of risks to the outlook for the global economy that could potentially affect the Asian region. In particular, the US slowdown could prove to be more pronounced than currently anticipated. Inflationary pressures could pick up if an increasingly synchronized global upswing keeps eroding margins of unused capacity. And widening global imbalances could eventually lead to disruptive portfolio shifts and disorderly exchange rate movements. The two recent equity market sell-offs (May-June of last year and February-March this year) were, on the whole, limited, and were quickly reversed. Still, they are a reminder that, also due to contagion effects, developing countries in the area remain vulnerable to confidence crises that can heavily affect financial conditions and put their economic expansion in jeopardy.

The complex economic picture in developing Asia justifies both optimism and concern. All in all, stronger economic fundamentals and progress in structural reforms have made the region less vulnerable to external shocks. Nevertheless, countries in the area still face a number of policy challenges.

• Many countries continue to experience large capital inflows, which translate into different combinations of currency appreciation, reserve accumulation and domestic credit growth. The challenges for policy makers include preserving macroeconomic stability, establishing
sound regulatory arrangements to prevent financial vulnerabilities, and maximizing the benefits from the accumulation of international assets.

• The two largest economies, those of the People’s Republic of China (PRC) and India, have recently tightened monetary conditions to prevent overheating, although the effectiveness of these measures has so far been limited. The PRC also needs to shift the composition of demand from exports and investment toward consumption. A greater degree of exchange rate flexibility should be part of this process.

• In a number of countries, especially in Southeast Asia, investment has not yet recovered after the crisis of the late 1990s. Structural policies—in particular, a more transparent and predictable legal and regulatory environment and a financial system able to efficiently allocate financial resources—should be the key to improving the investment climate.

• Below the surface, deep and painful imbalances remain. Upbeat expectations about future economic growth are matched by frustration about the huge disparities that still exist among countries, the growing inequality within countries, and dramatic environmental degradation, particularly in some areas.

Role of ADB

ADB has served its members well over the past four decades. However, the world and the region have changed greatly since ADB was founded; hence ADB also needs to change. The traditional development bank model is becoming outdated in Asia, more rapidly than elsewhere. The reflections of the Eminent Person Group are a stepping-stone in this regard. What role can and should ADB play in this new context?

It is clear that ADB, a public policy institution, should not intervene in areas where private markets already perform their role in a satisfactory way. In the first three decades of its existence, ADB’s function consisted mainly of channeling to the region adequate flows of capital from the developed world, the main global provider of savings. In today’s Asia, characterized by high savings and an extraordinary accumulation of foreign assets, this can no longer be the core ADB mission, as correctly argued in the Eminent Persons Group (EPG) report. By contrast, ensuring that the abundant supply of capital serves the needs of everyone in Asia remains a valid public policy goal, perhaps even more than in the past. This is the essence of the (somewhat elusive) concept of “inclusive growth”: ensuring that as many Asians as possible, including future generations, benefit from the new economic prosperity. Policies aimed at this purpose belong to several areas, including environmental sustainability; human capital development (e.g., health and education); and equity and fairness in the distribution of resources and opportunities. Fostering progress in these areas requires promoting good governance at the national level, including efficient
and accountable public administrations, sound institutions for monetary and financial stability as well as for corporate responsibility. We believe these are valid public policy goals on which ADB can fruitfully concentrate expertise and resources.

The EPG has produced a thoughtful and stimulating report. We subscribe to many of its conclusions, including particularly the crucial ones on environmental sustainability. The EPG is rightly optimistic about the future of Asia. However, we should not be complacent: economic growth alone will not automatically result in poverty reduction. For example, we know that non-income Millennium Development Goals (MDGs) are unlikely to be achieved even in a number of Asian middle-income countries by 2020. We know that GDP numbers take no account of rising inequality, damage to people’s health and the environment, and loss of cultural assets. Economic development is not necessarily accompanied by corresponding advances in human development, a broader concept and an increasingly relevant one in Asia today.

It can be objected (and we were reminded of this yesterday in the Governors’ seminar) that, as focus shifts from the “quantity” to the “quality” of development, one enters more and more into distributional and political issues that fall under the competence of nationally elected governments. However, national politics is only a partial answer, and an increasingly inadequate one. Globalization implies that equity and fairness, social inclusion, environmental balance, as well as basic human rights, are increasingly recognized as global public goods, requiring appropriate policies at an international level. Not by coincidence, the key guiding development objectives, enshrined in the MDGs, are now set internationally, and progress towards them is monitored by the global community as a whole.

In this context, we firmly believe that ADB has a strong role to play in three areas: contributing to environmentally sustainable growth, promoting aid effectiveness, and sponsoring good governance.

First, rapid economic growth in Asia, accompanied by heavy demands on scarce resources (energy, water, clean air) suggests ADB should help the region move to a more sustainable path, particularly in sectors where ADB is actively engaged.

With the region’s rising energy needs, this sector must receive ADB’s special attention. This year marks not only the 40th anniversary of ADB, but also the 10th anniversary of the Kyoto Protocol. Managing climate change, making efficient use of energy and relying on clean and renewable energy have become imperatives for us all.

The commitments and initiatives taken by ADB so far represent a welcome move in the right direction. The $1 billion funding commitment in clean energy projects annually is, however, only a fraction of the entire energy sector lending of ADB. We urge ADB to ensure real leadership on these themes in the Asia-Pacific region, by progressively shifting its political, technical and financial support away from fossil fuels toward renewable energy technologies and energy efficiency. ADB should stay engaged in promoting good governance
and institutional building in this field, while assisting poor countries to include energy policies in their development strategies. We likewise urge ADB to abide by its safeguard policies, which may be costly in the short run, but ensure better development impact in the long term. We finally invite ADB to take into account the full social and environmental externality costs when assessing projects for financing.

Second, we should work more toward increasing aid effectiveness, through progress toward the implementation of the Rome and Paris Declarations. All donors need to actively participate in building a coherent and effective aid financing architecture. Italy is currently doing its part by reviewing its national aid system, with the aim of strengthening synergies between the multilateral and bilateral cooperation channels.

Third, actions to promote good governance, including through institution and capacity building, are key for poverty reduction, for sustaining growth, and for attracting investments. These actions require the full participation and ownership of recipient countries, ADB’s institutional integrity as well as the definition of common standards and rules at the international level. ADB should keep this work area high on its future agenda.

It is in this context that we see also the important question of the role of the Asian Development Fund (ADF). The forthcoming ADF X negotiations will allow members to discuss the strategic role of ADF and its value-added in the global aid architecture. This discussion should be part of the overall discussion on ADB’s strategy. Moreover, it should also offer an opportunity to examine the future role of non-regional members in ADB, the growing role of regional donors, as well as the prospects for recipients’ graduation.

Conclusions

The main task now facing the ADB management is to bring all the suggestions made in this 40th Annual Meeting together in a mutually compatible approach, taking into account resource availability and constraints. ADB can and should play a leading role in making the tremendous growth opportunities of the Asia and Pacific region more inclusive, balanced, and sustainable – socially and environmentally.

The EPG report is a valuable starting point. It is now up to us all – Governors, Executive Directors, other stakeholders – to discuss the central questions for ADB’s future in a transparent, participatory process. A key role will be played by the emerging economic powers of the region, whose responsibility in shaping ADB’s future should grow alongside with their economic weight.
First of all, I would like to welcome all the participants at this Annual Meeting on behalf of the Republic of Kazakhstan, and to express my gratitude to the Government of Japan for its hospitality, and the Asian Development Bank (ADB) for organizing this event.

For Kazakhstan, cooperation with ADB is of great importance and it plays a significant role in establishing favorable conditions for investments in the development of Kazakhstan's economy, in line with the goals of Kazakhstan and ADB.

At the initial stage of Kazakhstan's cooperation with ADB, attention was focused on reforms in the agricultural and financial sectors, as well as on the creation of legal, regulatory and institutional bases in these sectors. After 1996, emphasis was given to reforming pension and education systems, restoring infrastructure, strengthening agricultural sector management, developing a targeted policy in social security, protecting the population, mobilizing potential savings, and poverty reduction. These are spheres which still need significant institutional improvements and ADB assistance.

After a period of acute macroeconomic imbalance, Kazakhstan's economic situation has undergone significant changes. Macroeconomic stability has been achieved during the last 5 years.

External assistance has played an important role in the development of Kazakhstan. The assistance of international financial institutions, including ADB, supported the strengthening of Kazakhstan's basic institutions and increased economic opportunities. It also significantly contributed to the achievement of macroeconomic stabilization, the drafting of new legislation, and the implementation of privatization programs, and ensured significant progress in transforming Kazakhstan's economy and developing democracy.

Cooperation between Kazakhstan and ADB takes place in the following priority areas: development of rural areas; reduction of poverty; industrial innovation; investment in social sectors; and regional cooperation.

New stages of interaction include ADB’s initiatives in private sector financing without the government guarantees, private sector operations focused on implementation of infrastructure projects in the power and water supply and financial sectors, and capital markets.
In this context, I would like to note that the further development of Kazakhstan’s financial sector and increases in efficiency are two of the major instruments by which the country aims to achieve its goal of joining the world’s 50 most competitive countries, set by the President in his annual address to the People of Kazakhstan on 1 March 2006. In that address he noted: “Kazakhstan’s strategy of joining the world’s 50 most competitive countries. Kazakhstan is on the threshold of a major breakthrough in its development”.

With other international financial organizations and institutions, ADB has the potential to take a key position in the development and implementation of large interregional projects in Central Asia, which will give an impetus to integration processes and the development of economies in this region.

The Central Asia Regional Economic Cooperation (CAREC) program implemented by ADB is a practical example of cooperation. CAREC intends to reduce the economic isolation of Central Asia, maximize the potential of available natural resources, support policy development, and develop institutional structures to promote trade and investments in the region and beyond.

With a view to developing new directions in cooperation, to my mind the following priority areas need to be included: economic cooperation in the region, development of the non-oil sectors of the economy, the tourist industry, and the agricultural sector.

For example, it is obvious that it is time for many types of manufactured products from Central Asian countries to enter world markets. In this connection, we need to increase the competitiveness of these products and to meet international standards.

I believe that this ADB Annual Meeting will give a new impetus to the relations between ADB member countries. At present, there are many directions and spheres for the development of multilateral cooperation and for mutually-beneficial cooperation.

I would like to note that integration of Central Asia’s economies is a natural process driven by the national interests of each country in the region. It is based on the deep interdependence and mutual complementarities of the region’s economies.

In conclusion, I would like to wish all of you further success and I hope that ADB’s contribution to the development of Kazakhstan’s economy will become more significant.

REPUBLIC OF KOREA
OKYU KWON, Governor

It is an honor to address such a distinguished audience today in this historical city of Kyoto on the occasion of the 40th anniversary of the first meeting of the Board of Governors of the Asian Development Bank (ADB).
I would like to take this opportunity to express my sincere gratitude to President Kuroda for his leadership in advancing ADB’s reforms for the past 3 years. I also thank the Government of Japan for its warm hospitality and for the excellent arrangements for this meeting.

This year marks the 40th year of ADB’s establishment and the 10th year since the outbreak of the Asian financial crisis. In the remarkable economic growth of this region, ADB’s role has been indispensable.

It was also essential in enabling Asia to overcome the financial crisis, from which the Republic of Korea suffered greatly. The number of cases of bankruptcy in the Republic of Korea reached 40,000 between 1997 and 1998. Over 1 million workers lost their jobs during the same period.

However, the Republic of Korea recovered from the crisis in a short period of time. Critical to our efforts to overcome the crisis was ADB’s timely and undivided support, which the Republic of Korea is very grateful for.

Last year saw this region’s economy grow at the fastest pace in a decade following the financial crisis, recording a 5% growth rate. When Japan is excluded, the figure climbs to a remarkable 8%.

While a moderate slowdown is expected this year in the United States and the European Union, I believe the People’s Republic of China and India will continue to be the driving forces of the world economy. The continued growth momentum of these two giant factories will translate into increased operating profits and stock prices of their parent companies in developed countries.

This, in turn, reinforces our expectation of a soft landing for the world economy. Nevertheless, this does not mean that we can turn a blind eye to potential risks to the solid track record of the Asian and global economies.

In particular, global imbalances remain our central concern. Any abrupt and disorderly unwinding of these imbalances may send a tremendous shock through the global financial markets.

That said, close cooperation and shared responsibility among regional members are needed to tackle these risks. Such collaboration is most needed to address the significant imbalances in valuations of currencies. In this regard I am happy to note that, since early 2002, the Republic of Korea has allowed its currency to appreciate by about 40% against the US dollar and by 30% against the Japanese yen.

At the same time, I would like to point to another imbalance that exists in the level of contribution made by countries in order for a gradual unwinding of global imbalances. I believe it is timely to make a renewed call for concerted efforts among our regional members to solve this pressing challenge.

I am pleased to note that the Eminent Persons Group report predicts that, in 2020, the Asian economy will be largely taken up by middle-income countries, and that the current upbeat momentum will continue.

Despite this positive outlook, poverty reduction remains an enormous challenge in the region, with close to 200 million people living on less than $2 dollars a day. Moreover, rapid economic development inevitably spawns
new challenges in such areas as energy, the environment, bottlenecks in infrastructure, and widening income disparities.

In this regard, I welcome ADB's medium-term strategy II which will be vital to ADB's efforts to respond to the evolving challenges.

Let me stress, however, that this should in no way dilute the core mission of ADB, which is to reduce poverty and improve living standards in the region. As a governor representing the Republic of Korea, let me comment on a few principles that ADB should bear in mind in the course of implementing reform.

First, all new strategies and policies of ADB should be geared toward ADB's overarching goal of poverty reduction and be pursued in a consistent manner. I also expect to see ADB's future mission to be focused more sharply on weakly performing developing member countries (DMCs).

Second, ADB should step up its support for capacity building in DMCs. Our experience shows that stronger economic systems, allowing for more efficient use of existing resources, are the main drivers of economic development.

Third, ADB needs governance standards that can be more flexibly applied depending on the particular circumstances of developing member countries. We should also bear in mind that that governance of a given country is deeply rooted in its native practices and culture.

Accordingly, we need to exert more flexibility when using governance standards to distribute the resources of the Asian Development Fund.

As you know, the Republic of Korea has transformed itself in one generation from a war-ravaged country into a nation that is soon to join the ranks of advanced economies.

We also have been coping successfully with challenges posed by rapid economic development, such as environmental pollution, corruption, and economic polarization.

This wealth of experience makes the Republic of Korea well-positioned to aid other developing nations in our region, by both sharing our development experience and by co-financing through Economic Development Cooperation Fund (EDCF).

In particular, the Republic of Korea set up in the second half of last year the e-Asia and Knowledge Partnership Fund worth $20 million, aimed at poverty reduction and sustainable development of this region.

Let me now bring your attention to poverty reduction efforts in the Democratic People’s Republic of Korea (DPRK), or North Korea, one of the world's poorest nations. With positive developments being made on the DPRK's nuclear issue, I can envisage the international community’s response to the DPRK cautiously but significantly improving.

Conversely, inaction on the DPRK’s isolation and poverty will only increase the risk that this reclusive country can pose to the world economy. In this regard, I suggest that ADB gear itself up to supporting the reform efforts of potential future clients like the DPRK, when conditions mature.
Before closing, I would once again like to express my deepest gratitude to ADB for its strong commitment to the development of the Asian economies, including that of the Republic of Korea.

I hope to see ADB continue to build on its success of the past four decades, and I pledge the fullest support of the Government of the Republic of Korea in ADB’s endeavors.

KYRGYZ REPUBLIC
AKYLBEB JAPAROV, Governor

Let me, on behalf of the Government of the Kyrgyz Republic, thank the Management and staff of the Asian Development Bank (ADB) as well as the Government and people of Japan for the kind hospitality and excellent organization of ADB’s 40th anniversary Annual Meeting.

ADB is one of the key international financial institutions and its activities over several decades have aimed at addressing acute social challenges and ensuring sustainable economic growth in Asia.

After a decline in the country’s economy in 2005, which was caused by a significant decrease in gold mining output and the stagnation of private business activities after the March events, following the strong efforts of the Government in 2006, the Kyrgyz Republic managed to achieve 5.1% economic growth, without taking into account the gold mining industry. Foreign direct investments have doubled, and foreign trade has grown significantly. The budgetary deficit and inflation rates have been observed. Micro-credit financial institutions continue their dynamic development. The high growth rate of deposits and lending in the banking system demonstrate the improved level of trust in the system.

Acknowledging that the GDP growth rates observed in recent years will not provide a comprehensive solution to the challenge of improving the living standards of the people, the Government of the Kyrgyz Republic, with the active participation of the donor community, civil society, nongovernment organizations (NGOs) and independent scientists and experts, has developed a Midterm Country Development Strategy, which has been approved by the National Board for Strategic Development.

Following this strategy, our efforts will be focused on improving economic capacity, on the fight against corruption, on human and social development, and on environmental sustainability. The difference between the new strategy paper and previous documents is that the current strategy is more focused on market incentives, a limited list of priorities, upgrading the role of the regions, maximizing the use of the country’s own opportunities, and harmonizing the goals of the strategy with international initiatives. The strategy will be presented to the donor community at a development forum to be held on 31 May in Bishkek.
With regard to the extension and deepening of regional cooperation, the Kyrgyz Government welcomes all regional initiatives proposed by ADB, in particular, the Central Asia Regional Economic Cooperation (CAREC), in which Kyrgyz Republic is an active participant. Within the framework of CAREC, we would like to propose the Kyrgyz Republic as an economic corridor between the south and north, west and east of Asia. Within the CAREC program, the Kyrgyz Republic looks forward to further development of trade relations with neighboring countries, especially with the People’s Republic of China (PRC), to develop its electricity capacity and gain access to the markets of such countries as Afghanistan, India, and Pakistan.

In conclusion, I would like to join my colleagues, the other Governors, in expressing deep gratitude to the President of ADB, Mr. Haruhiko Kuroda, to ADB staff and members of the Board of Directors for their fruitful work during the last year. I would like to wish you all the best for the future and to assure you of the support of the Kyrgyz Republic in the coming years.

LAO PEOPLE’S DEMOCRATIC REPUBLIC
CHANSY PHOSIKHAM, Governor

It is an honor for me to represent the Government of the Lao People’s Democratic Republic (Lao PDR) at the 2007 Annual Meeting of the Board of Governors of the Asian Development Bank (ADB).

Let me join my fellow Governors in congratulating our Chair, the ADB President and the Government and people of Japan for the excellent arrangements made for this important meeting.

I would like to take this opportunity to inform the meeting of the Lao PDR’s current economic situation. In fiscal year (FY) 2006, the economic growth rate was 7.5%, in line with the plan. GDP per capita was $553, or an increase of 12% compared with the previous year. Inflation has been reduced from 8.7% at the end of 2005 to 4.7% at the end of 2006, and the currency slightly appreciated against the US dollar.

In the first 6 months of FY2007, macroeconomic conditions have remained stable. Real GDP growth is projected to be 7.6% and inflation remained steady at about 4.9% in February 2007. Investments from domestic and foreign investors showed a positive trend.

The main factors contributing to this growth were the adoption of the single window process for approving foreign direct investment (FDI), which has facilitated and streamlined FDI. The hydroelectric and mining sectors remained the main attraction for foreign investors and investment in these sectors will continue to be the main driving force of the economy.

The Government of Lao PDR has continued to focus its efforts on poverty reduction and raising living standards, including policies to discourage the poor...
from slash and burn farming and shifting cultivation in favor of more sustainable jobs. In addition, the provision of basic social services with better coverage for the poor, particularly in education and public health services, are regarded as the main priorities of the government, as stated in the 6th Five Year Socioeconomic Development Plan.

On the fiscal front, the government will continue to reform public finances in order to improve the effectiveness and efficiency of public service delivery. That includes centralizing revenue administration and redesigning fiscal relationships within the Government, including in the new budget law. In addition, the Government will also put further efforts into strengthen the banking sector.

We value support from bilateral and multilateral organizations and international financial institutions, including ADB, very highly. This support is very important for socio-economic development in our country, and will contribute to helping Lao PDR to move from a “land-locked country” to a “land-link country”.

While the ultimate responsibility for achieving the Millennium Development Goals (MDGs) rests with developing countries, the role of the international community, including donors and multilateral development banks, in enhancing the volume, quality, and predictability of assistance is equally important. Donor progress in fulfilling commitments to contribute 0.7% of gross national income as official development assistance (ODA) is still slow and, as a result, the current level still remains a long way below this commitment. In fact, 2006 saw a 5% decline in ODA in real terms.

Even in previous years, modest increases in ODA were largely accounted for by assistance for debt relief. While the debt relief creates fiscal space to free up resources for development, the development assistance is indirect. For the achievement of the MDGs, there has to be a significant step-up in ODA for core development activities. Donor interest in expanding the program does not appear to be as pronounced as the donor efforts to impose conditions on lending. We hope that this trend will reverse itself during the replenishment of the Asian Development Fund (ADF X), which is just around the corner.

There is a need to revisit the performance-based allocation policy and to make some fundamental changes in ADF allocation norms before ADF X is put in place. ADB’s mid-term review of ADF IX showed that country performance-assessment-based lending has resulted in a significant reduction in funds for the poorest countries, from 17% in 2005 to 13.8% in 2006. This militates against the rationale of the ADF. While we appreciate the contribution the ADF makes to reducing poverty in the region, we are concerned that the guidelines for allocation of funds are working against the interests of the poorest countries. The application of these guidelines needs to be revisited to iron out such anomalies.

The Lao PDR extends its full support to the transfer of $40 million from ordinary capital resources (OCR) net income to set up a Regional Cooperation and Integration Fund to provide nonlending support to regional cooperation.
and integration. The fund is likely to help, but only to a limited extent. The developing member countries (DMCs) also need additional lending support on concessional terms. Putting together such a facility for concessional lending for regional projects should be the next goal.

On behalf of the Government of Lao PDR, I would like to express my sincere appreciation to the Management and staff of ADB and fellow member countries for the support given to the Lao PDR.

LUXEMBOURG

ARSÈNE JACOBY, Alternate Governor

I would like to join others in thanking the Japanese authorities for graciously hosting this year’s Annual Meeting. I would also like to extend a very warm welcome to the new members, Ireland and Georgia.

Last year I concluded my speech in Hyderabad with a quote from Mahatma Gandhi: "We must become the change we want to see". This year I can say with some confidence that a change process, hopefully irrevocable, is underway. It represents a much more fundamental overhaul than we have seen in ADB’s 40 years of existence.

First, I would like to congratulate ADB, its founding members and those who came on board over time, for 40 years of successful operations in the most dynamic region of the world. To operate in such a vibrant setting is a challenge in itself, which calls for a permanent renewal of ideas and approaches in order to remain relevant.

I would like to welcome the candid report by the Eminent Persons Group (EPG) on the future of ADB. The conclusion is very clear: ADB needs to change if it wants to remain a relevant and key actor in this part of the world. However, what is not so clear is how ADB is to achieve this fundamental change and what the main thrust of its operations should be. The right questions were asked in the report and some interesting suggestions were provided. There is a lot of food for thought and a good basis to move ADB’s long-term agenda ahead.

At this very early stage of reflection, without trying to preclude the discussions, a few issues come to mind. A dramatic improvement in Asia’s development is predicted and, even though I do hope that the Asia of 2020 will be the one described, I am afraid that the poverty agenda may remain more relevant than we would like it to be 13 years from now, including and especially in relation to the non-income Millennium Development Goals. This will be the case in both low-income countries and in pockets of middle-income countries. ADB needs to devise a comprehensive poverty agenda to help poor countries grow and help the poor in the richer countries to grow out of poverty. We need to be very careful when assessing pro-poor and inclusive growth. They have to go hand-in-hand and cannot be dissociated from one another.
We will need to look at the agenda ahead, not only with the eyes of the stronger, but also with the eyes of the weaker countries. ADB has been playing a crucial role, often as the main actor, in some of them. This was underlined in last year’s discussions around the medium-term strategy II (MTS II), which was to be completed by a proper strategy for the weaker clients. Understanding the complexity of the issue, we are looking forward to the Board discussion on the long overdue paper at the end of the month.

This will be an important ingredient for the upcoming discussions on the replenishment of the Asian Development Fund (ADF X). Although this is not the appropriate forum at which to discuss ADF matters, I would nonetheless like to highlight the need to link those discussions to those on the long-term strategic framework. ADB serves and must continue to serve a large variety of partner countries, all of which are important.

Another crucial and difficult challenge is climate change. We have to act fast and I appreciate ADB’s recent initiatives in this area. In this context I am particularly happy to see the launch of the Carbon Market Fund, with Luxembourg as a founding member. I feel, however, that we need to move further and cannot stop at individual initiatives. The fight against climate change must transcend ADB’s operations at all levels. Adaptation and mitigation strategies need to be embraced to form an integrated climate policy approach.

These are only a few of the difficult questions with even more difficult answers.

Some of those may be found within our current activities. By properly assessing their effectiveness we can learn from what works, we can replicate and adapt. Development effectiveness needs to be at the core of ADB’s operations. I commend the organization for its significant achievements in the reform agenda. Although policy reforms have been undertaken, speedy and effective implementation remains the key. As a Japanese proverb goes: beginning is easy—continuing is hard.

This leads me to my concluding remarks: all this will not be possible without ADB’s most important and impressive resource, its people. A large variety of knowledge and skills with extensive experience throughout the region and beyond makes ADB’s staff the main driver for reform. We commend them for their commitment and hard work over many years. Their expertise will be important to shaping ADB’s new long-term strategic framework, as will be the feedback from a large base of internal and external stakeholders.

MALAYSIA

Y. BHG. TAN SRI NOR MOHAMED YAKCOP, GOVERNOR AD INTERIM

On behalf of the Government of Malaysia, I would like to express our sincere gratitude and appreciation to the Government of Japan and the people of
Malaysia

Kyoto for the excellent arrangements for this meeting and the warm hospitality extended to our delegation.

Malaysia would also like to join others in welcoming Georgia and Ireland to ADB. The future and relevance of ADB can be enhanced through the broadening of its membership, particularly through the inclusion of non-regional members. We understand that there are other countries interested in joining ADB, including Russia, Iran and Brazil. We believe that ADB should be open and inclusive in considering new members.

Malaysia congratulates the Asian Development Bank (ADB) on its 40th anniversary celebration last year. It continues to share its vision of an Asia and Pacific region free of poverty through promoting economic growth and social development in the region. Asia is currently experiencing rapid economic growth, rising per capita incomes, and, more importantly, the quality of life is improving. However, with uneven economic growth and development among and within countries, Asia is still home to 620 million people living on less than $1 per day and elimination of poverty remains a most difficult goal to achieve. In this regard, Malaysia acknowledges ADB’s determined effort to fight poverty through over four decades of support and cooperation with the governments and peoples of the region, implementing policies and reforms, making investments, responding to unprecedented natural disasters, and devising new initiatives and strategic directions in response to new challenges and difficult operating environments.

**Long-Term Strategic Framework**

I note that ADB is currently implementing a comprehensive, consultative midterm review of its long-term strategic framework, covering the period 2001–2015. Malaysia believes that the Eminent Persons Group, tasked by ADB to make recommendations, provided good insights into the future of the Asia and Pacific region and the role to be played by ADB. Malaysia is also keen to see that developing member countries (DMCs) with their different development experiences and diverse set of political and cultural perspectives benefit from greater ADB responsiveness, flexibility, and efficiency in delivering its development impacts and results.

**Middle-Income Countries and Borrowers from Ordinary Capital Resources**

We would like to commend the initiative taken by the ADB Management led by President Kuroda, to articulate a strategy to better engage middle-income countries. This should, of course, not be at the expense of poor countries. However, we believe it is important for ADB to re-engage middle-income countries because, within their populations, there are still pockets of poverty. While these countries may not require much funding from ADB compared with that needed by other countries, middle-income countries can still benefit from ADB’s expertise and contribution to capacity building. As developing countries graduate, they will face new challenges. These countries should be guided
and assisted toward sustainable development so that they do not relapse and become poor countries again.

ADB’s continued commitment to providing effective assistance to middle-income countries and borrowers of ordinary capital resources (OCR) is much welcomed. The ongoing and planned initiatives to enhance ADB support to OCR borrowers are crucial, particularly with respect to the costs of doing business with ADB and the quality of ADB’s services.

Malaysia is pleased with the efforts made by the ADB to help deepen and broaden the region’s capital markets through the issuance of local currency bonds and now the single, unified multicurrency bond which was launched in September 2006. We hope these bonds will also be issued in Malaysia in the near term. Malaysia also welcomes ADB’s responsiveness in establishing a high level group to look into how the large savings in this region can be used for infrastructure development. It is Malaysia’s hope that ADB can contribute effectively to complement the work of the ASEAN group on this.

Sector Selectivity and Private Sector Participation
Malaysia acknowledges ADB’s strong focus on core sectors where it can deliver results more effectively and maximize development impacts, particularly in energy, road transport, education and financial services. With public sector borrowing taking a back seat in many DMCs, there is increasing demand for ADB private sector operations. These include co-financing transactions under ADB’s syndication operations and guarantee facilities, particularly in the energy and financial sectors. Nonsovereign operations, which have expanded strongly in the last 2 years, require that credit risk management and rating systems be improved to minimize credit exposure and future losses. Malaysia supports recent measures to strengthen credit risk assessment capacity in view of the expected increase in private sector participation and nonsovereign public sector transactions, including to state-owned enterprises and government-linked companies.

Malaysia notes that demand for private sector financing is strong in rapidly growing economies, such as the People’s Republic of China and India, and believes that coverage should be expanded to include economies in transition and highly indebted poor countries (HIPC). ADB’s solid development experience and triple A rating can help it to play a role as a development partner and an honest broker, helping weaker countries and neglected segments of the economy and society, including small and medium-sized enterprises (SMEs) and the poor in remote villages.

Regional Cooperation and Integration
Malaysia’s relationship with ADB has remained strong, despite the fact that Malaysia has not borrowed from ADB since the Asian financial crisis in 1998. We will continue to participate actively in ADB’s regional cooperation and integration initiatives, especially with our neighbors. We share the same commitment in terms of encouraging private sector participation in promoting
growth and economic development, particularly in less-developed and poorer regions of Southeast Asia. Malaysia supports regional cooperation, especially cross-border transport and energy projects which will help to facilitate trade and investment in the region. Significant progress has been achieved in initiatives to strengthen regional capital markets and regional public goods, including combating the spread of avian influenza.

Malaysia shares the view that ADB’s regional cooperation and integration strategy, formulated under ADB’s medium-term strategy II, should be implemented strategically with a more focused framework, rather than through stand-alone and piecemeal programs. We also believe that firm commitment from members of the subregional economic cooperation programs is necessary. ADB with its specialized knowledge and expertise should provide policy directions and advice, developing well-designed strategies and programs to achieve the long-term vision of integration in Asia.

Conclusion

Malaysia looks forward to further strengthening of our relationship, cooperation and commitment with ADB and other member countries in the years ahead. Let me conclude by congratulating Mr. Haruhiko Kuroda, the President, its Directors, Management and staff for ADB’s excellent performance and achievements in 2006 and I wish ADB success in the coming year.

MALDIVES

MOHAMED JALEEL, Governor

It is a pleasure and privilege to convey the best wishes of the people and Government of the Maldives to my fellow Governors at this 40th Annual Meeting of the Asian Development Bank (ADB). We recognize the important role ADB has played in shaping the development of Asia over the past four decades and we wish ADB, its members, and Management an exciting and rewarding future.

Our delegation would like to place on record our gratitude and appreciation to the people and government of Japan for hosting this landmark meeting in this historic and beautiful city of Kyoto. We are heartened by your warm hospitality, impressed by the efficient arrangements, and delighted to be here in Kyoto to enjoy Japan’s rich culture and unique natural beauty.

Let me also join my colleagues in welcoming both Ireland and Georgia as new members of the ADB and wish them a prosperous association with ADB.

The Maldives has benefited immensely in our social and economic development from Asian Development Fund (ADF) and grant assistance facilities. Much of the focus in the past has been on public sector investment, institutional strengthening, and improving governance. The Maldives will soon—in about 4 years—be graduating from less developed country (LDC)
to middle-income status. During this period it is very important that the Maldives sets the stage for this new reality so we can sustain our successful economic growth. We need to jointly promote private-sector-led growth, with the Government concentrating on providing direction and facilitating the investment environment and minimizing the cost of doing business—including reducing time-consuming administrative requirements. Similarly, we want to be more receptive to foreign direct investment. We have to progressively reduce our dependence on concessional financing and create a conducive environment for investment. In order to achieve this, we are developing and introducing key legislation that will promote the transparency and accountability of the public sector, while boosting the confidence of potential foreign investors. In January 2006, the Public Finance Bill was enacted, and it is now being implemented to ensure a more efficient and responsible public expenditure framework. In order to give more independence to monetary policy, the Maldives Monetary Authority Act was amended this year. Work on developing investment protection laws has already started, and we hope to complete the work by the end of the year. We will also conclude a sovereign country rating exercise by the middle of this year.

Nevertheless, we will still need to continue our access to ADF resources for some time to come, in order to support broader social sector development needs and to address challenges of global warming. I would therefore like to appeal to donor members to be generous in supporting the next ADF cycle.

After slowing down following the devastating tsunami of 2004, the Maldives’ economy grew by an unprecedented 19% last year and it is expected to achieve growth of about 8% this year. Tourism and fisheries have been the main contributors to this performance, coupled with investments related to reconstruction that started in 2005 after the tsunami.

Our challenge is to continue with economic policies that will create the sustainable economy required to achieve the Millennium Development Goals and to graduate from LDC status by 2011. We will focus more on private-sector-led development and plan to mold the public sector to address essential needs and improve governance. To this end, we wish to invite ADB and other financial institutions to assist the Maldives through their private sector financing windows. In this regard, I wish to gratefully acknowledge ADB’s revised strategic framework for private sector development and Management’s efforts to mobilize additional ordinary capital resources (OCR) resources for private sector financing. The Maldives, among the most vulnerable potential victims of the consequences of global warming, fully supports a focus on energy efficiency and the environment management strategies of ADB. We will continue to support ADB’s leadership in these new initiatives as well as its thrust toward governance and anticorruption.

The Maldives is working with senior management on the new country partnership strategy and we want to align this strategy with the 7th National Development Plan. I would like to place on record our appreciation of the professional and able staff of ADB who continue to work with us in a real spirit of partnership.
MONGOLIA

NADMID BAYARTSAIKHAN, Governor

It is a great pleasure for me to be here in the beautiful city of Kyoto and to address the 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). I join fellow governors in thanking the Government of Japan and the people of Kyoto for the warm hospitality extended to us.

Today, as we celebrate ADB’s 40th anniversary, we proudly look back at the tremendous achievements made in the Asia Pacific region in the past four decades. During this period many countries in the region, including Mongolia, have undertaken bold reforms in their political, economic and social systems. In the past 16 years Mongolia has embarked upon and followed through on the arduous path of transition to a market economy. We are proud to say that the most difficult part of that road is already behind us. Today we have achieved a stable and open society which upholds human rights and principles of democracy, with a healthy civil society and a strong private sector.

I would like to take this opportunity to express on behalf of our Government my sincere appreciation to ADB for the continuous and much appreciated support extended to Mongolia throughout these years. With ADB’s assistance we were able to carry out policy reforms, strengthen our institutional capacity, and build a solid foundation for the future prosperity of our country. In 2006, the Government of Mongolia continued to make reforms to its legal and policy frameworks, passing new tax laws, an anticorruption law, and amendments to the public procurement law. These laws are designed to create a favorable investment climate, transparent and fair processes for both foreign and domestic enterprises, and to support the development of the private sector.

The promotion of a strong private sector as the driving force of sustainable growth is the primary focus of our Government’s policies. Many of the development goals set out in Mongolia’s long-term National Development Strategy will be difficult to achieve without the public and private sectors combining efforts and resources. In particular, direct budgetary expenditures by the Government will not generate enough infrastructure investments for Mongolia. We appreciate ADB’s contribution to infrastructure development in our country, and believe that ADB has an important role to play in mobilizing private capital for infrastructure projects, including those under public–private partnerships.

Given the growing requirements for long-term capital to fund infrastructure projects in Mongolia, ADB’s active involvement in the development of the financial sector and capital market will be crucial in responding to our emerging needs.

For the year 2006, real economic growth in Mongolia reached 8.4%, with GDP per capita exceeding $1,000. Inflationary pressures have been decreasing in recent years and dropped to 6% in 2006. As a result of prudent fiscal policy and a favorable economic environment, Mongolia has enjoyed a
budget surplus for the second year in a row. Today, as we enter a more mature stage of development, the Government will need to promote reforms through appropriate and timely policy measures and to mobilize sufficient funds to meet the current scale and pace of the country’s economy. As always, we hope that ADB will continue to be our closest and strongest supporter in this time of changing priorities and needs.

We welcome the reforms ADB continues to make in its assistance policy, particularly the alignment of the Asian Development Fund (ADF) grants framework with that of the International Development Association (IDA 14). We are certain that use of the debt sustainability framework will be an important tool to ensure effective utilization of external financial assistance and to prevent an unsustainable debt burden for borrowing countries. I also would like to commend ADB’s achievements in increasing the level of assistance to its developing member countries for the second consecutive year.

In closing, allow me to extend my sincere appreciation to President Kuroda and all staff of ADB for the excellent arrangements of this year’s Annual Meeting.

MYANMAR

HLA TUN, Governor

It is a great honor for me to represent Myanmar and to have the opportunity to address the 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). We are very pleased that Japan is again hosting this auspicious event in the very beautiful and historic city of Kyoto, which is full of traditional heritage.

May I first of all express, on behalf of the Myanmar delegation, our deep and sincere appreciation to the people and the Government of Japan for hosting this event and extending a very warm welcome and hospitality to us since our arrival. I would also like to thank the management and staff of the ADB for the excellent arrangements for the success of this Annual Meeting.

We meet here today, at a time when our regional economies are on a firm footing, albeit still largely relying on external demand. We still face challenges, such as a growth slowdown in major countries, volatility in commodity prices, inflationary pressures, continuous socio-political tensions, and sporadic outbreaks of avian influenza in the region. However, I am certain that our economies, which were able to remain resilient and weather challenges last year, will be able to work together to continue and sustain our growth momentum.

We should continue with our concerted efforts in order not only to achieve robust regional growth but also balanced global growth.

I would now like to take the chance to highlight the economic progress of Myanmar. With a view to accelerating economic development, successive short-term plans have been formulated and implemented since 1992–1993.
The Government emphasized agriculture as the base but attention was paid to other sectors as well. For the development of the agriculture sector, emphasis was placed on ensuring self-sufficiency and a surplus for export. With the aim of expanding cultivable land, private entrepreneurs and companies are allowed to reclaim vacant and fallow lands, virgin lands, and wetlands.

Infrastructure development in such areas as transport and communication is strengthening the economy. Special emphasis has been placed on the development of the social sectors and human resources. As such, significant growth has been achieved because of the excellent performance of the agriculture sector as well as the good achievements in other sectors.

During the Third Short Term Plan period, which ended in 2006, the following three key development programs were established to ensure progress, prosperity, balanced growth, reduce poverty and raise the living standards of the people:

- a Border Area Development Plan to develop transport and communication, education, health, power, agriculture and livestock breeding in border areas;
- a Special Development Zones Plan in order to develop education, health and infrastructure; and
- an Integrated Rural Development Plan in order to develop society, education, health and transportation of the rural areas.

The private sector’s role in the economy has expanded and at present its contribution to GDP is about 90%. In order to further encourage private sector activities, especially in trade, the government has abolished all restrictions on trading crops, including rice, cotton and sugar cane. As private entrepreneurs are participating extensively in both internal and external economic activities, arrangements have also been made to further facilitate the smooth flow of business.

Inflation has remained moderate. However, it is rising because of the abolition of subsidies on energy prices and the increase in the salaries and wages of government servants last year. Since 1988–1989, foreign investment has been permitted and has been increasing yearly. As an indirect impact of the monetary crisis in Asia, it contracted from 1997–1998 to 2004–2005. However, it has risen again and reached $ 6.06 billion in 2005-2006.

On the monetary front, the Central Bank adjusts its policy instruments in accordance with the country’s economic requirements. Emphasis is being given to ensuring a sound and stable banking community and the Central Bank has adopted and strictly enforced banks to observe internationally accepted standards and norms. The banking sector is sound and stable with all the banks being profitable.

On the fiscal front, measures have been taken to increase revenue while at the same time efforts have been taken to reduce spending. However, as infrastructure is crucial for economic development, the Government has accorded high priority to infrastructure development, such as irrigation networks, roads, bridges, port facilities, airports, power, and communication...
facilities. In doing so, as Myanmar had to rely on its own resources, for the past few years there had been continued budget deficits.

Myanmar’s current account balance was negative for more than two decades. Due to increases in exports and other capital flows, the balance of trade has been in surplus for four consecutive years beginning from 2002–2003. Consequently, the current account balance and overall balance of payments position is also now favorable. Gross official reserves have also increased.

Myanmar is now implementing the Fourth Short Term Plan, spanning from 2001–2007 to 2010–2011, which was formulated with the aim of:

- maintaining stable and sustained economic growth;
- continuing the achievement of good foundations in economic and financial condition of the nation;
- striving for balanced regional development;
- establishing progressive human resources development; and
- achieving the Millennium Development Goals (MDGs).

In 2006-2007, the first year of the plan, GDP growth was targeted at 12%. According to the latest available data, the actual performance surpassed the target because of the harmonious growth in three main sectors: agriculture; industrial; and services. Myanmar is now embarking on the second year of the Fourth Short Term Plan.

Myanmar has been endeavoring to achieve the MDGs through its own national plans and using its own resources. Progress against the MDG indicators has been good. As was stated last year, Myanmar has been able to make progress in attaining some of the MDG targets.

- As there are no severe hunger problems in Myanmar and as nutrition promotion and intervention progress and programs for micronutrient deficiencies are being undertaken, there will be no difficulty in achieving MDG 1, to eradicate poverty and hunger and to lower the ratio of people who suffer from poverty and hunger by half between 1990 and 2015.
- Remarkable achievements have been made in the intake and post-primary enrollment in primary education and therefore MDG 2, to achieve universal primary education, is attainable.
- There is no gender discrimination in Myanmar, so achieving MDG 3, to promote gender equality and empower women, will not be difficult.
- The indications for MDG 4, to reduce child mortality, are also good.
- Regarding MDG 5, to improve maternal health, as the maternal mortality ratio has not declined significantly, it will still be necessary to focus more on maternal health care.
- With regard to MDG 6, to combat HIV/AIDS, malaria and other diseases, as the result of efforts carried out under the National Health Program, in collaboration with UN agencies and the 3D Fund Program, the prevalence of HIV/AIDS has been declining. The indications for morbidity and mortality from malaria have also improved and the program to combat tuberculosis has also been successful.
• MDG 7, to ensure environmental sustainability, is also attainable in time. Special emphasis has been placed on environmental sustainability in Myanmar. The greening of nine districts, which began in 1995, has now been expanded to 13 districts. In the current 5-year plan, an objective on environmental protection, such as reforestation and greening, has been included.

• At a time when assistance from multilateral institutions and donors has been suspended, there may be some difficulty in attaining MDG 8, which is to develop a global partnership for development.

There remain some risks and challenges that need to be overcome for Myanmar if it is to meet all the MDG targets by 2015. The main risks are the economic sanctions imposed by some developed countries and the lack of international assistance from multilateral organizations.

Myanmar has been a legitimate member of the ADB since 1973. However, international financial institutions, including the ADB, have suspended financial assistance for the past two decades. It is for the international community to resume normal relations with Myanmar and I take this opportunity to urge the international community to do so.

According to the charters signed by Myanmar and various institutions, there should be equal treatment among member countries without political influence and consideration. However, for a long time, Myanmar has not been treated on the same level as other developing countries. If Myanmar’s efforts had been supported by international organizations, its development would have been more robust and quicker.

Myanmar is implementing a comprehensive strategy and series of actions for the implementation of an effective anti-money-laundering regime. It is also effectively combating the financing of terrorism. In recognition of these undertakings, the Financial Action Task Force removed Myanmar from its list of non-cooperative countries and territories in October 2006.

The achievements thus far have been attained by mainly by Myanmar relying on its own resources. Myanmar intends and is prepared to collaborate and cooperate with multinational organizations, not only to further develop the socioeconomic condition of the country, but also to promote regional and international understanding and development. Even if international assistance is not forthcoming, Myanmar will try its best within its projects and programs.

I would like to once again thank the people and the Government of Japan for making our stay in Kyoto a very memorable one.
NEPAL
DR. RAM SHARAN MAHAT, Governor

It is a pleasure and honor to address the 40th Annual Meeting of Asian Development Bank in this historic and beautiful city of Kyoto. On this occasion, we would like to recall the historic Kyoto Protocol, which, if sincerely implemented, would make this earth a safer place for us and for posterity. The city of Kyoto has thus become a symbol of human commitment to promoting environmental safety and sustainability throughout the world.

The economic growth of several large countries of Asia in recent years has been a matter of envy for other continents. The growth is coming from a sound knowledge base and a modern sector, which is robust and resilient to shocks. In a few years, several countries with large populations will emerge out of persistent poverty. However, there are still pockets in Asia where poverty is widespread, and where people live in primitive environments with no access whatsoever to modern amenities. To address this daunting challenge of poverty alleviation, ADB must continue to support its developing member countries with additional concessional resources. In this context, ADB's bilateral donors must commit larger amount of resources to the Asian Development Fund.

ADB has to deal with these two extreme contrasts, not a small challenge. In our opinion, President Kuroda did the right thing by engaging a panel of eminent persons to provide advice on the future of Asia and the Pacific.

Infrastructure bottlenecks have certainly been the biggest impediment to our fight against poverty. These will also be a matter of concern to emerging middle-income countries. By infrastructure bottlenecks, we not only mean physical infrastructure, but the financial infrastructure as well. Similarly, increasing disparities within and between countries not only hamper future growth, they also ignite discontent and conflict. It is against this backdrop that we tend to agree with the three complementary strategic directions proposed by the Eminent Persons Group—from poverty reduction to inclusive growth, from growth to environmentally sustainable growth, and from national focus to regional and global focus.

However, we would like to emphasize that environmental concerns must not be overplayed to the extent of disrupting or increasing the cost of implementing infrastructure projects in least developed countries. Some short-run environmental sacrifices are needed to reach out to people living in the most primitive conditions.

Let me now turn to my own country. After nearly a decade-long armed conflict all over Nepal, the peace process is moving in the right direction. An all inclusive government has been mandated to hold elections for the constituent assembly that will draft a new constitution.

With peace in sight and the political process becoming predictable, new hope is emerging. Investor confidence seems to be rising. With the right
policies, unwavering faith in openness, markets and liberalization, enhanced investments in infrastructure, and an outward orientation, we feel that we can catch up with the growth trajectory of other South Asian countries.

While we focus on the medium and longer term, we are not losing sight of the immediate requirements and aspirations of the people. The country needs to create enough employment opportunities to absorb the energetic and restless young people that enter the job market every year. This is a challenge that can be met by immediately scaling up investments in infrastructure, commercializing agriculture and creating a conducive environment for private sector growth.

We are hopeful that, with collective efforts, regional and international cooperation and integration, we can meet the challenges.

Before I close, I would like to welcome Georgia and Ireland as new members of the ADB family. Nepal has always supported ADB in its reform initiatives and it will continue to do so.

THE NETHERLANDS
KEES RADE, HEAD OF DELEGATION

Introduction

Recently, the Netherlands and Japan celebrated the fact that, 400 years ago, they established bilateral relations. In the early years of these relations, the Dutch were allowed to settle on Deshima, a small island near the coast of Nagasaki. It was from this island that they organized their trading activities with Japan. Since at that time the Netherlands was Japan’s sole Western trading partner, a number of Japanese made great efforts to master the Dutch language. In fact, “rangaku”, or learning Dutch, was the method by which Japan kept informed of Western technology and medicine. When Japan extended its external relations to other countries, these people hoped to use Dutch to communicate with other nationalities. Of course they soon learned that the Dutch language was less useful than expected.

More important was another useful lesson: that openness provides knowledge, new opportunities and ultimately, development. As in 19th century Meiji Japan, openness has been the primary factor behind Asia’s impressive economic accomplishments since the foundation of the Asian Development Bank (ADB). Today, we are celebrating the 40th anniversary of ADB, and its impressive contribution to poverty alleviation and sustainable economic growth. However, as we all know, an anniversary is also a moment of reflection. For ADB, this means reflecting on the present way of operating and on the need to change in order to enable it to adapt to the shifting needs of the region.

It is therefore a pleasure for me to address the Board of Governors at this happy occasion, and to offer some thoughts on this issue. First of all, I would
like to thank the Government of Japan for hosting the 40th Annual Meeting in this magnificent city, rich in culture and history. We feel very much at home here, surrounded by so much hospitality and friendliness.

Today, I would like to focus on three themes: the review of the long-term strategic framework, the Millennium Development Goals (MDGs), and the Paris agenda. Put another way, I would like to focus on three dates: 2020, 2015 and 2010.

**Long-Term Strategic Framework**

First, I would like to discuss 2020. I welcome the report of the Eminent Persons Group (EPG) as it will be as a useful input for the review of the long-term strategic framework. We agree with the EPG that ADB needs to move on, so that it can keep contributing to its overarching goals of poverty alleviation and sustainable economic growth. Indeed, ADB should fundamentally change its business model. The LTSF should pick up this need for change and present us with a road map for its implementation. To continue adding value, it also needs to increasingly focus on a limited number of issues that are pivotal to the development efforts of its mostly middle-income member countries. This will require strong leadership, including the phasing out of less relevant activities. We believe that the EPG report provides some interesting ideas on how to decide which activities to phase out.

Why should we encourage ADB to undertake such a drastic reorientation process? Because alternative sources of finance, sound domestic institutions, well-functioning markets and knowledge are, or increasingly will be, available in this region. If ADB does not adapt to these new realities, there will be limited and declining demand for its products because its instruments will have little or no added value compared with the market or domestic institutions. That is why ADB should focus on a few sectors where it has a comparative advantage: energy and environment, infrastructure, and regional integration. Although we agree that ADB should become a true knowledge bank, we do not believe that expertise or technology should constitute a distinct core activity. Rather, expertise should be the essence of all its activities.

One more comment on the EPG report. We note a lack of attention to poverty and low-income countries. This is one of the main flaws of the report. We are talking about a development bank. Although the report mentions the concept of inclusive growth, it was unfortunately unable to translate that concept into operational terms. The strategic implications for countries that continue to benefit from the Asian Development Fund (ADF) have to be carefully considered and incorporated into the long-term strategic framework. What specific sectoral expertise should remain in the ADF’s exclusive domain? What would be the desirable future division of labor with other donors in ADF countries? These key questions deserve an answer.

We are looking forward to wide consultations with all relevant stakeholders on the long-term strategic framework and expect this strategic framework to be submitted to the Board for approval.
Medium-term objectives

The second date is 2015. During this process of reviewing the long-term strategic framework, efforts to achieve our medium-term objectives should not lose momentum. Our key objective is the achievement of the Millennium Development Goals. The deadline of 2015 is rapidly approaching and, although the region as a whole is on track, progress remains uneven and performance unsatisfactory, especially on the non-income MDGs in a number of countries. Although the main responsibility for meeting these targets lies with countries themselves, ADB’s role could and should be further strengthened by focusing on areas in which it can maximize its contribution through forthright forceful implementation of the medium-term strategy II.

Paris agenda

This brings me to the third date: 2010. Two years ago the Paris agenda was set. Indicators were determined for measuring progress on ownership, alignment, harmonization, managing for results and mutual accountability to be attained by 2010. By focusing on a limited number of sectors, and by taking into account the donor landscape in selecting these sectors, ADB could contribute substantially to the Paris agenda. We understand that the ADB is setting up a system that can report on the commitments made in the Paris Declaration. The Netherlands warmly welcomes this development and looks forward to the results.

ADF replenishment

Let me conclude with a few words on the ADF replenishment, another central issue that will determine the future role of the ADB. The outcome of the negotiations on ADF X will be of critical importance to those countries that, so far, have benefited insufficiently from economic growth in Asia. I would like to highlight two topics that we would like to discuss during these negotiations. They relate not only to the ADF but to ADB as a whole.

First, ADB’s successful transformation is closely linked to both the effectiveness of human resources management and corporate management leadership. We acknowledge the general progress made with the Reform Agenda and the fact that the human resources strategy has laid a foundation for more open, transparent and merit-based management. However, the time has come for a comprehensive analysis of remaining corporate weaknesses and full implementation of the human resources strategy. What truly matters in the end is whether sufficient changes in mindset and behavior will be achieved. A key benchmark for assessing progress in this area would be an independent annual staff satisfaction survey. This could guide the further implementation of the human resources strategy. An independent external review of the strategy could be considered as well.

Second, the Operations Evaluation Department (OED) concluded that “ADB’s current formal and informal incentives reward loan processing
and approval and had insufficient focus on project administration, project success, or achieving medium-term results”. In other words: volume rather than development impact. We look forward to discussing the measures that management is taking to address this issue.

In conclusion, three dates, 2020, 2015 and 2010, or the long-term strategic framework, the MDGs, and the Paris agenda. These three processes, together with the negotiations on ADF X and effective human resources management—will determine the future of ADB. Next year, all these issues will be on the table, on our table. Like Meiji-era Japan, ADB will have to show openness to change, in order to adapt itself to new realities. We are willing and ready to contribute to a successful conclusion of these processes, because we believe that it will allow ADB to play its proper, important and even unique role in our common endeavor: the alleviation of poverty in this region.

NEW ZEALAND

HON TREVOR MALLARD, Temporary Alternate Governor

Let me begin by extending New Zealand’s appreciation to the Government of Japan, to the Asian Development Bank (ADB) President and his staff and to the people of Kyoto for their hospitality and the excellent arrangements for this meeting.

I congratulate ADB on achieving its 40th anniversary. Over this period Asia has made significant economic and social progress. New Zealand is pleased to be associated with the region, both as a member of ADB and through its more direct relationships with its developed and developing countries.

Turning to the future, the Eminent Persons Group Report Toward a New Asian Development Bank in a New Asia outlines an option for the future for Asia. New Zealand looks forward to being part of the future of Asia through ever-strengthening trade links, widening policy dialogue, and deepening cultural links.

The report understates the poverty and human development challenges that Asia will still face by 2020. Accordingly, the work of ADB on development will be required for decades ahead in some countries. It is with concern, then, that I note that the prescriptions for a future ADB suggested by the report will erode the capability of ADB to serve those of its members still in need of development assistance.

Asian nations will wish to have full ownership of the regional institutions in the future. I believe, however, that the Eminent Persons Group erred in suggesting that ADB, although at present a key pan-Asian institution, could take on some such roles. Rather, the region might be better served by institutions founded on more direct political mandates and governance structures than is possible with ADB.
The Asian region—which is extremely broad as defined by ADB membership—currently claims only 65% ownership of ADB. It seems that the Eminent Persons Group may have been overly mesmerized by the successes of East Asia. ADB should not evolve too far from its broader client base.

In particular, it should be remembered that one third of the developing nations that are ADB members are in the Pacific. The Eminent Persons Group seemed blind to the fact that the ADB is the lead development bank for this subregion.

I thank President Kuroda for his assurances yesterday that the report is but one input into the strategic framework process and that the review will be comprehensive, allowing for proper consideration of Pacific states, many of which are fragile in an economic, environmental and governance sense.

Looking then to ADB’s strategic framework, this should have a limited number of objectives and strategies to ensure focus and hence effectiveness. While the vision of a new future ADB is tempting, there is risk to the organization’s effectiveness in reaching out toward such a future while also trying to address the needs of the remaining poor for access to education, health services, infrastructure, and finance. I urge the ADB President to carefully consider the issues raised, particularly:

- the future needs of the remaining developing country members;
- the ownership, governance and financial structure of ADB; and
- the importance of strong political mandates for truly regional initiatives.

The Eminent Persons Group was unhelpfully coy in dealing with ADB governance. Doubtless voice and representation issues will need to be grappled with eventually. In the meantime I believe that we could usefully focus on the role of the Board of Directors, which I believe should be more strategic. Too much of the Board’s time is spend on the minutiae of approving operational activities. If the Board has considered a country assistance strategy, then less, if any, of its time should be spent on approving activities supporting such strategies. Such an approach may also allow ADB to build more, and much needed, flexibility into its operations.

I am very conscious that this year marks another anniversary of a different sort, 10 years having passed since the onset of the Asian financial crisis. While this has left lingering effects, the recovery achieved since then has been remarkable. I urge the region to maintain sound economic policies, to remain vigilant against risks to economic stability and to work together in addressing such risks.

Growing, widening and deepening the economies of Asia will also help to enhance their stability. Such economic strength relies on sound economic policy and openness. While New Zealand is keen to see the Doha Development Round back on a firmer track, it considers it vital that the region’s economies enhance their openness in the best way available, and New Zealand is keen to participate in all regional processes to this end.
The Eminent Persons Group advocated regional approaches and noted that they have significant benefits in appropriate circumstances. These must be pursued when they enhance the ability of citizens to achieve their economic and social aspirations. It is in this spirit that New Zealand has been a strong supporter of the Pacific Plan, sound implementation of which is vital if the Pacific islands are to share in a new Asian future. I urge ADB to continue assisting the islands of Oceania to strengthen their pursuit of the Pacific Plan.

From time to time economic and social progress will suffer temporary setbacks. New Zealand extends its sympathies to the people of Indonesia, who have had to cope with earthquakes, and to the people of Solomon Islands, who have had to contend not only with earthquakes but with a subsequent tsunami. Societies and democratic systems remain fragile, as demonstrated by events over the past year in Bangladesh, Fiji, and Thailand.

Sometimes governance and natural disaster issues intermingle. In this context it is vital that, where ADB is the lead agency in coordinating relief financing, there is cooperation from the government of the nation concerned so life can be restored to as normal a state as possible as soon as is possible. Governments should not attempt to play donor organizations off against each other. If they do, it might well be appropriate to by-pass the government and work directly with local communities and nongovernment organizations (NGOs).

ADB itself also faces important matters over the coming year. The Asian Development Fund has played a key role in the development of our region. Later this year it will embark on negotiations for its ninth replenishment. The magnitude of this replenishment will very much depend on ADB demonstrating a strong commitment to successfully implementing the reform agenda agreed at the end of the eighth replenishment, including a commitment to achieving development results.

The reality of delivering on debt relief will also be put before ADB over this coming year. New Zealand has been a firm proponent of debt relief and will pursue such initiatives among the low-income members of ADB, where heavy indebtedness threatens the achievement of the Millennium Development Goals (MDGs). While also acknowledging the resolute spirit of those countries that have eschewed the opportunity to take on heavily indebted poor countries (HIPC) status, we stand ready to assist those that find it necessary to accept debt relief in order to make better progress in their development. We trust ADB and its donor members will do the same.

NORWAY

ANNE MARGARETH FAGERTUN STENHAMMER, Governor

I would like to join the other speakers in thanking the authorities of the city of Kyoto for organizing this year’s Annual Meeting in such beautiful surroundings.
On the occasion of the 40th anniversary of the Asian Development Bank, I would like to thank President Kuroda for his strong commitment to ADB and to commend his strategic vision. The report of the Eminent Persons Group (EPG) is a valuable contribution to the forthcoming review of the long-term strategic framework (LTSF). I can subscribe to many of the report’s recommendations. In a region marked by rapid change, ADB must also change in order to remain a useful and relevant institution. The new ADB must find its proper role in the global and regional financial architecture.

The Asian Development Outlook 2007 presents a very impressive overall macroeconomic picture for many Asian countries. However, many countries still have high levels of poverty and inequality. Achieving the Millennium Development Goals (MDGs) remains a major challenge in Asia and the Pacific region, especially as regards health, access to water and sanitation, and the environment.

Reducing social inequality and poverty in the region is of utmost importance to Norway. Therefore, I would have liked to see more reflection on, and discussion of, this issue in the panel’s report, especially with regard to what the ADB can do to deal with the risk of rising disparities and to secure progress on the unfinished poverty reduction agenda. I would also have liked to have seen a stronger emphasis on gender equality in the panel report, especially as the report deals quite extensively with inclusive growth.

I see the transition to the new ADB in 2020 as a unique opportunity to improve the gender profile of ADB. The greatest gains countries can achieve, economically as well as politically, come with empowering women, ensuring equal opportunity, health care, and increasing the ratio of women who actively participate in working life. Norway is a long-standing supporter of ADB’s gender equality efforts, and we increased our support in this area this year. We have also just published a new gender action plan, and we are looking forward to the third ADB Gender Action Plan. Our experience shows that gender-specific interventions are not enough. The Bank needs to pay more attention to the gender perspective in its economic and operational policy analysis, and to mainstreaming gender equality in all of its operations. I strongly believe that a sharper gender focus will lead to better policies and improved project design, which in turn will result in higher growth and greater gender equality. Finally, I would like to draw attention to the fact that ADB ranks last of all the multilateral development banks (MDBs) when it comes to the number of women in senior positions. This issue is certainly a challenge for the new ADB in 2020.

As President Kuroda stated at last year’s annual meeting, one of the most important things a country can do to attract investment is to improve governance. Corruption is one of the main obstacles to development, and Norway will continue to support ADB’s activities as outlined in the Second Governance and Anticorruption Action Plan. We would have liked to have seen a stronger emphasis on good governance in the EPG report. The governance aspect is critical to ensuring a policy shift that enables countries to deliver more balanced and inclusive growth.
We fully subscribe to the emphasis the panel’s report gives to the environment. It is encouraging to note the strong interest of many Asian countries in this agenda, and ADB should increase its activities in this area.

The Norwegian Action Plan for Environment in Development Cooperation focuses on climate change and energy, and water and sanitation. The Norwegian Government recently decided to cut greenhouse gas emissions by the equivalent of 30% of Norway’s emissions by 2020. This aim is to be achieved both through domestic efforts and through collaboration with other countries using the clean development mechanism. It is our view that it is crucial to establish a broad and inclusive climate regime after 2012. Norway warmly welcomes ADB's Carbon Market Initiative and the recently established Clean Energy Financing Partnership Facility. It also welcomes ADB's focus on access to water and sanitation as reflected in the medium-term strategy II. We would like to increase our support to, and dialogue with, ADB in these areas.

We look forward to participating in the forthcoming replenishment of the Asian Development Fund (ADF X). While I would like to congratulate ADB on the progress made in implementing the reform agenda, we still have some way to go. An institution is never better than its human resources. That is why the implementation of the human resources strategy is so important. A staff survey should be carried out as soon as possible to identify any changes in attitude and how the incentive structures of the ADB are working. We would also welcome an independent review of the strategy’s implementation. The Paris Declaration and its focus on country-level, capacity-building and alignment with countries’ own systems is important to Norway. Measurable results in reducing poverty and meeting the MDGs are vital for Norway’s continued firm support for the Asian Development Fund.

I would like to close by reiterating Norway’s support for the ADB in its important catalytic role in the development of the region. Asia has vast resources, and is experiencing rapid change. As a regional collaborator and partner, ADB could and should make a significant contribution to the achievement of our common vision of an Asia and Pacific region that is free of poverty. If Asia is to succeed in realizing this vision, the countries in the region need to exercise good governance and show regional solidarity. ADB and other development partners must ensure that no-one is left behind. Only then can we hope to achieve an environmentally sustainable inclusive growth that promotes social justice and gender equality. Norway has a keen desire to be an active partner in this process.
I am honored to deliver this joint statement on behalf of Nauru and my fellow Governors of Pacific Developing Member Countries (PDMCs)—Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu. As has been the past practice, individual PDMCs may also choose to table their own statements.

I would like to begin by thanking the Asian Development Bank (ADB) on behalf of the Government of the Solomon Islands for its prompt, decisive support following the recent tsunami in that country. The Solomon Islands Government looks forward to working further with ADB on reconstruction and on rehabilitating the affected people and region.

On behalf of the PDMCs, I would like to join other Governors in welcoming Georgia and Ireland as ADB's newest members. I would like to thank our hosts, the Government of Japan and the people of Kyoto, for their warm hospitality and for the excellent arrangements that they have made for this meeting. A city such as Kyoto, that marries an ancient culture and the modern technologies for which Japan is renowned, gives us good material for reflection in assessing our own strategies for development. It is significant too that our meeting this year is taking place in the city where, 10 years ago, the nations of the world negotiated the Kyoto Protocol as a concerted commitment to address climate change—a commitment that some nations remain reluctant to implement.

Eminent Persons Group Report

This year is an important year for ADB, with the further development of its long-term strategy and the release of the Eminent Persons Group (EPG) report. The EPG report is thought-provoking and informative. It provides a vision for the future of the region. It recognizes that supporting the growing prosperity of middle-income countries is very important for regional growth, stability and security. It also recognizes that ADB's long-term viability will be strengthened by ensuring it continues to play a role in the economic development of its growing number of middle-income members. We congratulate the members of the EPG and thank them for the important work that they have done in providing an input to help shape the architecture and the future role of ADB.

It is important to note, however, some member countries still face considerable hurdles in achieving the economic growth that the EPG rightly emphasizes for support. ADB still has a vital role to play in helping its poorest members achieve the conditions necessary for economic growth and alleviation of poverty. We cannot overlook those small, vulnerable and weakly performing
states that are heavily dependent on expert advice and support from ADB. The PDMC group has a major interest in maintaining ADB’s engagement in our region, and for good reasons. For my own country, for instance, ADB is the only multilateral development bank of which we are a member. The PDMCs therefore urge ADB to keep the development needs of the PDMCs firmly entrenched in its long-term strategy.

It is encouraging that the EPG acknowledges the needs of these countries. This is the really hard development work—work that presents the greatest challenges but which, if successful, can bring enormous benefits in reducing poverty. ADB’s charter gives it special responsibilities for small and vulnerable states. It calls for “harmonious growth which is compatible with the growing disparities we are now seeing”. We cannot forget these challenges and we must continue to address them, and address them more intensively now than ever. As ADB considers the shape of its operations in the future, it must continue to function as a bank for all—a bank for the Pacific as well as a bank for Asia.

Over the past year, ADB has made good progress in responding to the concerns of developing member countries about its relevance, responsiveness and results. The first year of the innovation and efficiency initiative has seen larger borrowers benefit from new products such as the multitranche financing facility. ADB is to be congratulated on these initiatives, which are an important step forward in increasing its flexibility and responsiveness to the particular needs of its borrowing member countries. In this regard, it would be worthwhile for ADB to consider piloting such initiatives in the Pacific region.

Last year, we suggested that ADB consider an innovation and efficiency initiative for those members that do not meet the traditional lending model—members that are not significant borrowers from ADB but are in need of forms of support other than lending. We noted that one of the most important forms such a strategy could take would be to develop new nonlending instruments in areas that are of greatest concern to ADB’s smallest and most vulnerable members, such as technical assistance and capacity building.

So far, we haven’t seen such an initiative developed. Nonetheless, ADB has acknowledged that it must think differently and work differently—especially to build local capacity and country ownership of programs and initiatives, a need that we note is specifically acknowledged in ADB’s Pacific Strategy. We note that the PDMCs stand to benefit from new processes being introduced, such as the development of country partnership strategies for all members.

We congratulate ADB on its newly released weakly performing countries strategy paper which allows for streamlined and harmonized processes in dealing with countries whose difficulties present great challenges in developing effective support. We note that the paper stresses the need for better modalities and instruments, including the use of grants for debt-stressed countries and an examination of the possibility of endowment trust funds, such as the Tuvalu Trust Fund. We are pleased to see the emphasis on assessing absorptive capacity and ensuring country ownership of programs and initiatives.
These initiatives by ADB are highly commendable—but they remain relatively vague and it is vital that they are translated into concrete actions and improvements in the delivery of ADB’s services on the ground.

As is widely recognized, there is still room for improvement. A recent Operations Evaluation Report found that ADB’s technical assistance (TA) had been only “partially successful” overall and that “considerable improvement” was required. We note that important issues raised in the report were the need for long-term engagement in selected areas in developing member countries, the need for more developing country ownership of TA projects, and the need to improve implementation. We very much hope that ADB’s review of its TA will yield substantial reforms to make it more effective and more responsive to the countries that have greatest need of it.

We welcome the review of ADB’s Pacific Strategy this year. We cannot emphasize enough to multilateral institutions and the international community at large the real and significant threats that vulnerabilities impose on our lives in this group of small island nations. Many of these threats are well beyond our control, like climate change, the evolving world trading climate, and high oil prices.

At the same time, several member countries are recovering from natural disasters and instability. We call on ADB to respond meaningfully and uniformly to the needs of these small member countries.

**Review of the ADF Grant Framework**

We are very encouraged by the prospect of more Asian Development Fund (ADF) assistance being available in the form of grants. This form of assistance can help maximize the impact of ADF assistance among PDMCs and avoid increasing the debt burden on small and vulnerable economies, which have very limited resources to meet interest charges, even on concessional loans. It is important in the context of the forthcoming review of the ADF that ADB examine how best to maximize the Pacific’s uptake of its share of ADF resources.

PDMCs are concerned that performance-based allocation mechanisms could result in a disparity in access between weakly performing countries and those enjoying better economic conditions. The criteria used for performance assessment are not necessarily appropriate in the context of small island states, which have special circumstances and vulnerabilities not shared by larger countries. We encourage ADB to take serious note of this issue in considering access to ADF resources and urge an increase in the ceiling of ADF resources available to PDMCs.

**Regional Cooperation**

For ADB’s smallest members, a key task is to explore means of enhancing regional cooperation. Common approaches and sharing of resources and capacity offer the hope of sustained improvements in governance among members whose resources and capacity are limited by their small size and their geographical isolation.
We are pleased to see the prominence given to this work by the President, the work of the EPG, and ADB’s medium-term strategy II.

It is particularly pleasing that ADB is taking this emphasis further in developing a business plan for regional cooperation in the Pacific. We acknowledge the difficulties that are encountered in fostering regionalism in the Pacific, where natural conservatism and caution can slow progress. Nonetheless, there is substantial interest in the Pacific. The Pacific Plan—the Pacific’s own strategy for fostering growth and cooperation in the region—includes regional approaches as a central element. The PDMCs look forward to the support of ADB in helping to progress key elements of the Pacific Plan, in particular the economic integration identified by previous Pacific Islands Forum Economic Ministers Meetings. It is good to see that ADB will be working closely with the Pacific Islands Forum Secretariat in this regard, so knowledge of the region is combined and effectively exploited and there is no duplication of effort.

We emphasize to ADB’s larger members the need to consider the benefit that regional approaches to assistance to the Pacific can deliver. Labor mobility is one means by which larger members can enhance regional integration and offer the chance of improved incomes to developing member countries. New Zealand is to be congratulated on opening labor market access to more Pacific island countries over the next year. It is to be hoped that these initiatives will provide an example for wider access of this type. We urge ADB to lend technical support to facilitate further temporary labor mobility for PDMCs.

**Climate Change**

Meeting as we are here in Kyoto, it is difficult not to reflect on the gravity of the threat posed to us by climate change and to be frustrated by the slow progress that has been made in implementing key Kyoto Protocol initiatives. Those of us from low-lying, small island states view the prospect of greenhouse climate change with enormous concern. Without immediate, comprehensive and concerted action, the future of some of our countries is at risk. Already some of our members are seeing increases in storm intensity and changes in sea levels that bode ill for the future. In that context, we strongly support ADB’s renewed emphasis on clean energy through support for energy efficiency, renewable energy projects, and the carbon market initiative. However, the very existence of some of our member countries is threatened by climate change. It is therefore crucial for the small island states of the Pacific that we concentrate not only on combating climate change through mitigation strategies but perhaps more so on how we can adapt to the climate change that is now be under way and unavoidable. Effective development and implementation of these initiatives are matters of national survival, not only for Pacific states but also for other developing ADB member countries. We look to all countries—especially those standing outside current international arrangements—to join future regional and global efforts to reduce greenhouse gas emissions.
Accessing the resources and expertise of ADB

We acknowledge the efforts ADB has made to increase its representation in the region with the opening of the Sydney and Suva Offices. Nevertheless, it is clear that ADB’s current arrangements sometimes make it difficult to meet the needs of its members in an effective and timely manner.

ADB needs to find innovative and efficient ways of getting closer to its member countries. There is a good case for locating more of its staff to Pacific countries. This could be done in a central office, for example, or in a small number of sub-regional hubs. ADB could also consider ways of drawing on local expertise to reinforce its understanding of the special needs of the PDMC region. Such innovations in the way ADB manages its resources could help bring ADB’s expertise nearer to where it is really needed. Some members of the PDMC group have suggested that ADB could even consider a Vice President from the Pacific, dedicated solely to the Pacific.

ADB has given us a good example of how such innovative approaches can work by its response to the recent tsunami in the Solomon Islands, where it has established an extended mission that will assist in coordinating donor efforts and ensuring an effective recovery. We commend ADB for its response to this disaster. It is exactly this type of heightened responsiveness that the Pacific states are looking for. ADB has shown us that it can do a good job here and we look forward to further responses of this kind in the future.

President’s visit to Papua New Guinea

We finish by expressing our pleasure and gratitude that President Kuroda was able to visit a Pacific country prior to this Annual Meeting. It was heartening to hear that his visit to Papua New Guinea was an eye-opening experience and that he expressed a desire to return soon for a longer visit. We certainly hope that he will be able to do so and that in the year to come he will have the opportunity to see other areas of the Pacific, explore our vast and diverse region, and experience some more Pacific island hospitality.

PAKISTAN
OMAR AYUB KHAN, Governor

I would like to thank the Government of Japan for the opportunity to visit this culturally rich, environmentally friendly and historic city. The warm hospitality of the people and impeccable arrangements of the hosts has made this an event that will remain indelibly etched in our memories. I would be remiss if I didn’t also express my gratitude to the President of the Asian Development Bank (ADB) and his colleagues for their support in making our stay both comfortable and constructive. Let me also join other members in welcoming both Ireland
and Georgia to ADB. I am looking forward to working with them and wish them every success.

The last 7 years of structural reforms, which included deregulation, privatization and liberalization, coupled with sound macroeconomic policies, have transformed Pakistan’s economy. Pakistan has been sustaining a growth rate of 7% per annum over the last 5 years and has emerged as one of the fastest growing economies in the region. This strong growth has succeeded in reducing unemployment and poverty significantly.

An important aspect of this turnaround has been the accompanying structural changes that are underpinned by dynamism in services, industry, and agriculture and complemented by an investment cycle likely to reach new investment levels. The economy has withstood not only the devastating impact of the 8 October 2005 earthquake but also the unprecedented rise of oil prices in the international markets. Despite these, the economy has continued to maintain a strong growth momentum. I would like to acknowledge the generous support that ADB and other member countries provided during the earthquake, for which we remain grateful. The challenges for the earthquake-affected populations are still enormous, but with assistance commitments bearing fruit, their rehabilitation will become a reality in the coming years.

While Pakistan has made substantial progress over the last 7 years, we believe that there are many challenges that lie ahead. We have developed a road map to address these in the medium term. Pakistan is currently passing through a demographic transition; the share of the working population is increasing, while those dependent on them are decreasing. Our challenge therefore is how to transform this demographic transition into a demographic dividend. We believe that this dividend will not be automatic. We have to implement the right policies, such as investing in education, health, training, and infrastructure and continuing to implement the second generation reforms to further reduce the impediments to private sector development with a view to sustaining the ongoing growth.

I am happy to see ADB making significant strides in becoming responsive to the needs of its developing member countries (DMCs) and remaining relevant in this dynamic environment. I must congratulate the ADB President for steering this change at strategic and tactical levels.

It is timely for ADB to embark upon a review of its long-term strategic framework and to decide how it needs to position itself to meet the challenges ahead. The dissemination of the Eminent Persons Group report before the Annual Meeting was an admirable initiative. While the complexity of the issues raised requires further analysis and deliberation, I would like to highlight a few issues that we consider fundamental for DMCs. I believe ADB’s vision should be guided by the needs of the DMCs and that it should respond effectively to them. We therefore feel that the Report’s call for ADB to change “from being an imposer of an agenda specified by parties outside the region to a regional collaborator and partner” should be seriously tackled and addressed.
However, I have my reservations about some of the consequences of selectivity and focus that the document recommends. Sectoral selectivity and focus should not exclude sectors that may be vital for the establishment of sustainable livelihoods, inter-market linkages and poverty reduction in a large number of DMCs. The focus should clearly be on identifying the drivers and their binding constraints in each country, and then on nurturing the drivers and removing the constraints. The analysis for each country may throw up sectors which, according to the document’s recommendations, would be disqualified from ADB intervention. We should therefore prefer that ADB retain a flexible approach, develop the necessary expertise, and gain experience in the relevant economically vital sectors. This will enable ADB to be responsive and flexible in providing assistance based on country needs. I would go even further to urge that ADB should accept the diversity of its members as a given and position itself in terms of its financial, human, infrastructural and knowledge resources so it can respond to all the evolving and dynamic needs efficiently and effectively.

I commend ADB for realizing a much improved income position which has allowed it to provide waivers for loan and commitment charges as well as to meet essential funding gaps. I am sure we all realize that more needs to be done in reducing these charges, while funding gaps can get larger as ADB seeks to be more innovative and responsive to the needs of the DMCs. While the focus on efficiency gains can provide marginal relief, it cannot replace the original source for meeting such demands. Our non-regional development partners in particular need to be more forthcoming with assistance in accordance with their international commitments to meet these ever increasing needs, including debt relief.

It has been gratifying to note that ADB is in the process of updating its environmental and safeguard policies and considerable spade work has been done in this regard. I will not repeat what has been said about the adverse impact of these policies on ADB’s relevance, value added, and portfolio performance. However, I expect an early revision of the policies, keeping in view the need to follow country systems, expect realistic achievement of standards in each historic and development context, and account for transaction and incremental costs, especially with reference to the marginal cost of reaching the last affected person and the extent to which ADB seeks to restrict the meaning of the “no person worse off” provision.

ADB’s pivotal contribution to regional economic integration is now well recognized. I welcome the focus that Management places on this pillar of development, particularly in the context of globalization and Pakistan’s interest in harnessing its potential. However, the instruments and modalities that are developed should be rooted in consensus. The resources for ADB’s interventions in this regard should be equitably distributed among the member countries. We must guard against the possibility of creating enclaves of prosperity and poverty in Asia.
In conclusion, let me say that we welcome all the initiatives being undertaken by ADB under the leadership of the ADB President toward the common benefit of the people of Asia and hope that each of us equitably share in the fruits of such endeavors.

PHILIPPINES

MARGARITO B. TEVES, Governor

On behalf of our authorities and the Philippine delegation, we thank the Government of Japan and its people for the warm hospitality and excellent arrangements for this meeting. The rich culture and historic ambience contrasted with the efficient facilities and infrastructure of Kyoto remind us of the Asian phenomenon—a region rich and diverse in faiths and traditions, surging ahead with economic progress and modernization. Let me also congratulate and welcome Ireland and Georgia to ADB.

ADB’s 40th Annual Meeting is being held 10 years after the Asian crisis and at a time of great optimism as countries in the region remain on a sound footing for continued healthy growth. While downside risks persist and major development work remains, developing member countries are reassured by their long partnership with ADB in facing the great challenges that loom on the horizon.

Like other countries in the region, with lessons from the crisis as guide, the Philippines remains resolute in its efforts to build resilient macroeconomic fundamentals and improve regulatory regimes that govern financial markets and corporate behavior to withstand external shocks. Major gains in fiscal and macroeconomic management have opened a credible path for sustainable robust economic growth.

The on-going turnaround in public finance has increased confidence in pursuing the next wave of reforms to enhance competitiveness and productivity that would position the country in a virtuous cycle of broad-based growth, higher investment, and rapid poverty reduction. On the other hand, the favorable external environment provides a window of opportunity for introducing reforms, since they can be planned more carefully and with greater certainty for maximum effectiveness. Gaining support for reform, while always challenging, is easier during good times. Moreover, reform momentum can be galvanized by efforts to enhance transparency and can foster greater accountability as well policy frameworks that articulate clear long-term objectives.

Governance reforms are helping the Philippines to improve tax collection. We have instituted bold programs as well as technology-based measures to mitigate tax evasion and to curb smuggling and corrupt officials. Regular reporting on how taxes are spent has engendered higher tax compliance as a result of the transparent management of public resources.
For Asia, the past decade has been a period of remarkable growth and transformation. Even as meaningful reforms have been instituted, developing member countries must remain vigilant against the perils that may abruptly arise from global imbalances, a resurgence of high oil prices, and adverse events in major economies. Developing member countries must be ready to adopt strong measures to protect the economic advances they have achieved, as well as to seize economic opportunities made available by an increasingly integrating world economy. Looking ahead, as Asian countries transform themselves to meet development challenges, so must ADB keep in step with its members.

We appreciate the ADB President’s proactive stewardship of the bank, including defining the appropriate role of ADB and equipping it to become a more responsive, relevant and effective development partner in this dynamic region. The timely dissemination of the Eminent Persons Group report reflects your support for a participatory approach to policy making. The report provides vital information that promotes constructive exchange and more effective policy formulation on the evolving role and institutional requirements of ADB.

The report presents a new paradigm in ADB’s operational priorities and will require far-reaching institutional changes that merit in-depth analysis and extensive consultations with stakeholders. We appreciate timely discussions on the complex and difficult issues raised in the report so we can find pragmatic approaches to address them. We recognize that a sharper focus on ADB’s assistance would enable optimum benefits to be derived from resources. At the heart of the new ADB, however, lies the fundamental importance of country ownership and supporting development priorities of developing member countries.

For many countries, including the Philippines, infrastructure provision has not kept pace with population growth and urbanization. This has become a key impediment to enhancing competitiveness. Increasing development requirements necessitate creative solutions, including practical approaches to encourage private investment, flexible financing instruments, prudent yet fair arrangements on risk sharing, and a robust pipeline of prepared projects. The region has been in the forefront of public–private sector partnerships and ADB is well positioned to act as a catalyst in mobilizing the private sector to be a strong pillar in infrastructure development.

Over the next 10 years, Asia needs to invest $4 trillion to keep up with infrastructure challenges. In view of the region’s huge pool of savings, ADB uniquely poised to serve as a catalyst and channel for innovative intermediation of these resources for infrastructure investments. As a knowledge-harnessing and sharing institution, it must broaden and intensify the provision of valuable advisory and technical assistance to mobilize the region’s savings for the huge investment requirements of Asia.

Even with the remarkable strides the region has achieved in growth and development, let us not be distracted from the larger and more fundamental mandate of ADB: the reduction of poverty which is still pervasive in our region. It is worth learning from lessons of the past to guide us on how we can move
more quickly in uplifting the lives of our people. We urge ADB to continue with its transformation and retooling process, guided by the medium-term strategy II, to ensure it retains its relevance and effectiveness as the principal development institution of Asia.

PORTUGAL
NUNO DE SOUSA PEREIRA, Head of Delegation

It is a great honor for me to address, for the first time, this Asian Development Bank (ADB) Annual Meeting, in the beautiful city of Kyoto—known worldwide for its historical and cultural heritage and natural beauty.

I would like to join others in expressing my sincere appreciation to the Government of Japan and the people of the city of Kyoto for their warm welcome and hospitality. I would also like to extend a warm welcome to our new members of ADB—Ireland and Georgia.

The world economy has benefited from favorable macro-economic development, based on the continued expansion of most emerging market economies, which continue to experience high rates of growth. The International Monetary Fund’s most recent economic forecast confirms this positive trend.

In particular, we recognize the outstanding progress that has been taking place in the Asian region. Last year, it achieved economic growth of 8.3%, the highest growth rate in more than a decade, which has clearly had an impact on the global economy.

However, we must not forget that there are some downside risks to this world economic outlook, which include an eventual disorderly correction of the global imbalances, the volatility of oil prices and of financial markets, and a rise in protectionist pressures.

Although economic growth has been large in this part of the world and poverty has declined considerably in some countries, there are still large segments of the population lagging behind. This is particularly true for the poor in fragile nations that perform weakly in both political and economic terms.

For this reason, Portugal believes that poverty reduction in the region should continue to represent the main goal for ADB. We should also bear in mind that instability may spill across countries. ADB should remain vigilant and develop regional approaches to address these challenges, in close coordination with other institutions, particularly the World Bank and the United Nations.

As we celebrate ADB’s anniversary this year, we acknowledge that ADB will initiate a new phase of its own development and mission. The Eminent Persons Group report produced under the able chairmanship of Supachai Panitchpakdi is already a good step into this direction. It provides good recommendations, original proposals, and an excellent opportunity to stimulate a discussion on the future role of ADB in the Asia and Pacific region.
Nevertheless, we would encourage ADB not to lose sight of the challenges faced by low-income countries, in particular fragile states, which need technical assistance, capacity building and infrastructure development. Portugal will soon hold the EU Presidency and we have already defined fragile states as one of our main agenda priorities. We hope that this important issue will also be a priority in the international financial institutions.

On climate change issues, we fully support ADB’s increasing involvement in this key area, particularly with regard to clean and renewable energy and carbon emission markets. We strongly believe that ADB should develop a comparative advantage in this regard, especially taking into account the region’s fast economic growth, which poses significant challenges to the environment.

Portugal is working hard to meet its commitments under the Kyoto Protocol through both domestic measures and the use of the treaty’s market-based mechanisms. We believe ADB’s newly established Asia-Pacific Carbon Fund is one such very interesting initiative.

Last but not least, we are expecting a clearer view on the role that non-regional countries should have in the “new Asian Development Bank” identified by the Eminent Persons Group, particularly when a new Asian Development Fund (ADF) replenishment cycle is approaching. We hope that it will be a constructive and fruitful role. Only through constructive partnerships and shared visions between developed and developing countries and ADB’s Management can we expect to see Asian countries overcome major development trends and get integrated into the global economy.

Let me now address two important elements of ADB’s reform agenda: the human resources strategy and the innovation and efficiency Initiative.

On the human resources strategy, I would like to commend ADB for the progress accomplished in adapting its human resource base to the organization’s priorities. In this context, in order for ADB to become a more responsive and accountable regional development institution, it is important that the implementation of its human resources strategy reflects not only diversity, but gender balance and an adequate skills mix as well.

As for the innovation and efficiency initiative, we welcome the measures that have been taken to improve business processes and procedures, particularly in the area of procurement and consulting services. This is particularly important as it makes it easier for companies and consultants to participate in the implementation of ADB’s projects and programs. We do think that there is room for improvement in this area.

I would like to conclude my statement by thanking the President for his constructive guidance in this process and by expressing my country’s continued support for ADB and to the people of Asia and the Pacific.
I would like to thank our hosts for inviting us to Kyoto and for the warmth with which we have been received.

**Growth of India, China, and other countries in Asia**

The rapid growth of the People’s Republic of China and India has been written about countless times. Other Asian countries, such as the Lao People’s Democratic Republic, Sri Lanka, and Viet Nam have also achieved good growth over the past few years. In fact, Asia as a whole is the world’s highest growth region, with poverty rates dropping from 35% to 19% between 1990 and 2004. The Asian Development Bank (ADB) has played an important supporting role to Asian economies through its infrastructure and development projects. Singapore commends ADB for supporting the development of these economies.

**Eminent Persons Group Report – A Shift from Poverty Alleviation to Supporting Higher Growth**

The Eminent Persons Group has made useful recommendations in setting the future direction of ADB. Singapore supports the expansion in ADB’s agenda from poverty alleviation to encouraging economic growth. We believe truly impactful development requires both pulling people out of poverty and pushing a country forward by raising its economic growth rate.

**Singapore–ADB collaboration for regional development: ATRIUM**

In this regard, Singapore is pleased to be working with ADB on a collaborative initiative to advance the economic development of member countries: the Asia Training and Research Initiative for Urban Management (ATRIUM). ATRIUM is a joint collaboration between Singapore and ADB to deliver capacity development programs in urban management. These include programs in land use, urban master planning, transportation, water resources management and environmental management.

ADB and International Enterprise Singapore signed a memorandum of understanding launching ATRIUM earlier this year. Since then, ATRIUM has concluded its first official project, the Singapore–ADB–People’s Republic of China Forum on Urban Water and Environmental Management. Feedback from the forum has been positive and a few more ATRIUM projects are in the pipeline. We look forward to carrying out more programs in urban management and to making a positive impact in other ADB countries.

**Good governance**

Economic growth and sophisticated urban management are not sufficient. For sustainable economic development, a country needs a good governance
structure, defined by ADB as one encompassing transparency, accountability, predictability, and participation in government.

In particular, we believe that good corporate governance is closely tied to development: it ensures that the fruits of economic growth are not wasted or lost to corruption, unethical accounting practices, or unclear governmental regulations. Singapore remains ready to partner ADB in its efforts to support good governance in Asia.

We wish President Kuroda and ADB Management a productive year ahead. We look forward to the good work that ADB will undertake in the months and years to come.

SPAIN

DAVID VEGARA, Alternate Governor and Head of Delegation

It is a pleasure to address this 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) on behalf of Spain.

Let me start by expressing our gratitude to the government of Japan for the cordial hospitality extended to us in this ancient city of Kyoto. Kyoto has, undoubtedly, a special significance for the international community. The Protocol signed in this beautiful city has been a fundamental step in moving forward to curb carbon emissions and has provided us with a framework to collectively tackle the global problem of climate change. As signatories of the Protocol we are delighted to be here today.

I take this opportunity, also, to warmly welcome our new members of ADB, Ireland and Georgia.

In this special anniversary for our Institution, I would like to congratulate all shareholders, ADB Management, and ADB staff. During these 40 years, ADB has played a central role in Asia’s development and today it remains a reference in the continent, recognized as a solid development institution that has achieved good results and is ready and willing to adapt and contribute efficiently to the challenges of the region.

Recent Economic Performance in the Asia and the Pacific Region

Asia has indeed changed a lot in these four decades. A new Asia, dynamic and integrated into the global economy, is emerging.

This year, we can, once again, celebrate strong growth rates throughout most of the region. In 2006, developing Asian economies expanded at 8.3%, the highest rate in more than a decade, driven by strong internal demand, a favorable international environment and prudent macroeconomic policies. Inflationary pressures are decreasing, thanks to policy tightening measures and favored by lower oil and commodity prices. The prospects for 2007 and 2008 foresee a continuation of the high growth trend.
However, the picture is not without certain concerns. Current account surpluses are generally considered to be excessively high, bearing in mind the huge investment needs of the region. Exchange rate adjustments and stronger consumption and investment may be needed to achieve more balanced growth.

On development performance, notwithstanding reductions in poverty, significant challenges persist. This fast growing and dynamic region is still home to the majority of the world’s absolute poor and unemployment is a significant concern in many countries. The path toward achieving the Millennium Development Goals in the region is well underway but we need to keep up our efforts to make them a reality.

ADB

In this changing context, ADB needs to keep working to remain flexible, responsive, and adaptable. We are happy to see a continued scaling up of ADB’s assistance to developing member countries, focused on the priorities identified in the medium-term strategy II, and we commend the launching of new initiatives that will focus and strengthen the development impact in key sectors in the region.

We believe that ADB is prepared to respond to the needs of the region, with well defined and recently reviewed priorities, policies and instruments. However, if it is to be successful, timely implementation of all aspects of the reform agenda is needed. We appreciate the significant progress in private sector development operations and we also look forward to more concrete measures and proposals to enhance ADB’s support to middle-income countries. These will critically define ADB’s ability to respond to its clients’ needs and mean that it can take an active lead in the region’s development.

We would also like to underline the strategic importance we attach to environmentally sustainable growth in this region. Spain is strongly committed to the international agenda on fighting climate change and has become the lead participant in ADB’s recently launched Asia Pacific Carbon Fund. Through this Fund, we will contribute to the financing of investments aimed at promoting clean energy in Asia. Other initiatives, such as the Energy Efficiency Initiative, the Clean Energy Financing Partnership and the Water Financing Partnership Facility, are timely and will contribute to this objective and have a direct impact on poverty alleviation.

We are pleased to see that the institution is active and committed, seeking not simply to adapt, but more importantly, to anticipate the region’s needs. I would like to commend ADB for its initiative in commissioning the report of the Eminent Persons Group, Toward a New Asian Development Bank in a New Asia. This report has raised a number of important issues that need to be considered in moving forward. Spain will follow the discussions on the design of the long-term strategic framework for ADB with great interest and careful attention. We are especially pleased by the President’s strong commitment to engaging in extensive consultations and to making the process as collaborative and inclusive as possible.
This new long-term strategic framework will guide the institution in the future. Spain would like ADB to be a solid development assistance institution, prepared to confront the challenges of the new middle-income countries, while maintaining its core focus on poverty alleviation and development. Working in such a complex and fast changing environment, ADB will need to be specially adaptable, to increase the selectivity of its operations, and enhance its harmonization and alignment with sister institutions.

**Spain and Asia**

In recent years, Spain has seen its economic relations with Asia progressing steadily. Its investments in the region have grown and an important part of our imports come from developing Asia. These trends are expected to consolidate in the next years, strengthening the links between Spain and the region.

Our commitment to the economic and social development of the region is firm. As you know, Spain will fulfill its commitment to increasing its overseas development assistance to 0.5% of gross national income next year. In this spirit of commitment and cooperation, let me reiterate Spain’s willingness to actively participate, through ADB, in the promotion of inclusive growth and sustainable economic development in Asia-Pacific. Negotiations for the replenishment of the Asian Development Fund (ADF) will be starting soon and we are looking forward to an active and fruitful discussion that will lead to a reinforcement of the ADF and an adequate level of funding. Spain has steadily stepped up its contributions to ADF and our commitment is as strong as ever.

Finally, I am extremely honoured to officially extend our invitation to host the next ADB Annual Meeting, in the city of Madrid in Spain. It will be a pleasure to welcome you all in my country as a special expression of our strong commitment to ADB and to development in the region.

**SRI LANKA**

DR. SARATH AMUNUGAMA, Governor Ad Interim

I would like to convey my sincere thanks to the Government and people of Japan for hosting the 40th Asian Development Bank (ADB) Annual meeting in this beautiful historic city of Kyoto. I take this opportunity also to express our deep appreciation and gratitude to the Government of Japan which has been a leading bilateral donor for Sri Lanka by providing assistance amounting to about $330 million annually, thereby accounting for about 30% of the total foreign aid to Sri Lanka.

On behalf of my delegation, I would like to congratulate President Kuroda for making excellent progress on several fronts, including formulation of new policies and strengthening ADB’s strategic framework in 2006 under his leadership.
We meet after last year’s Annual Meeting in Hyderabad with the confidence that the year ahead promises to be a good one for the world economy. Despite high oil prices and many natural disasters, the growth of the world economy in general, and of Asia in particular, has been robust. We all agree that ADB has played an important role in the economic development of the Asia and Pacific region through its medium–term strategy II and its regional cooperation and integration strategy.

ADB has been a strong and continuous supporter of Sri Lanka’s development efforts for more than three and a half decades. We value the support and assistance the country has received from ADB, which has made a substantial contribution toward improving the living standards of the people of Sri Lanka through the development of social and economic infrastructure. In 2006, ADB approved loans for Sri Lanka amounting to $274 million, out of total loans approvals of $8.17 billion for Asia and Pacific countries.

At present, ADB has committed itself to financing more than 30 projects, in Sri Lanka through concessionary loans, program loans and grants. In 2006, at the request of the Government, ADB carried out a “spring cleaning” exercise to review its active portfolio, reassess its relevance, and take steps to improve the quality and the efficiency of implementation. Following this review it was agreed to reallocate $37 million from slow moving components of certain projects, either to components of the same project that were progressing more quickly, or to other projects which were in need of additional funds.

Turning to the economy of Sri Lanka, in 2006, the economy grew by a commendable 7.4%, despite rising international oil prices and the deterioration of the security situation in the Northern and Eastern Provinces. Much needed public investment was sustained at 6.3% of GDP despite heavy welfare-related expenditure, especially in conflict-affected areas. The country’s per capita income rose to $1,355. The outlook for 2007 remains strong. With increased economic activities, the unemployment rate declined to its lowest level, 6.3%, during 2006. International reserves increased by nearly 5%. Public debt, which stood at 105.5% of GDP in 2004, decreased to 93.9% in 2005 and to 93.0% in 2006, despite exchange rate depreciation.

We are aware of the challenges before us. Our aim is to put the country on an 8% annual growth path over the next 10 years and to raise per capita income to about $3,000 a year by reducing poverty and achieving the Millennium Development Goals by 2015.

I wish to solicit further support from the ADB in the implementation of our National Development Strategy, the "Mahinda Chintana: Vision for a New Sri Lanka. A Ten Year Horizon 2006-2016", which is designed to create a vibrant and stable economy by empowering the people and ensuring equitable distribution of benefits to all segments of the population. The underlying thinking behind this new strategy is to make development sustainable by preserving our values, culture, human rights, and environment.
Turning to the all-important question of the peace process in Sri Lanka, the Government is fully committed to reaching a political solution through negotiations. We will work together with the global community to deal with terrorism. In our exercises to liberate innocent people in Northern and Eastern Provinces who have become victims of terrorism, we are committed to ensuring that human rights are respected. The Government looks after the basic needs of the people in conflict-affected areas by providing food, health, education, and other public services, through substantial expenditures by the Government. No other country provides similar facilities within areas that are that are held by terrorist groups.

Developing countries see ADB as a much valued partner in their development efforts, enabling us to break the poverty cycle in the region. The deliberations of this meeting will be a strong impetus in that direction.

Finally, I wish President Kuroda every success in his leadership of this important regional development institution and look forward to an ever closer partnership.

SWEDEN

JOHANNA BRISMAR SKOOG, Head of Delegation

Let me join those who have thanked the Japanese Government and the city of Kyoto for hosting this year’s Annual Meeting and for their warm hospitality. It is truly a pleasure to be here in the beautiful city of Kyoto, enjoying the atmosphere and the excellent arrangements. We would also like to wish a warm welcome to the new members of the Asian Development Bank (ADB), Georgia and Ireland.

This year we celebrate the 40th anniversary of ADB. Since the formation of ADB, the development landscape in the Asia and the Pacific has changed profoundly. The region has experienced strong economic growth, but gaps between the rich and the poor have increased. Much remains to be done if we want to achieve the non-income-related Millennium Development Goals (MDGs) in the region. In order to remain a relevant actor, ADB needs to concentrate its development efforts in sectors which are of priority for reaching the MDGs.

The future role of ADB in the international aid architecture will be a central theme in the upcoming Asian Development Fund replenishment (ADF X) and in the review of the long-term strategic framework (LTSF). We welcome the contribution of the Eminent Persons Group as one element in this discussion and we look forward to a broad-based consultation process, with all relevant stakeholders, during the review of the LTSF. The revised LTSF should be formally approved by the Board. I would like to highlight today four strategic priorities that Sweden believes are important for ADB so it can maintain its role as one of the prime development institutions of the Asia and Pacific region.
First, ADB needs to strengthen its internal commitment to poverty reduction and the challenges facing low-income countries, such as achieving good governance, inclusive and sustainable economic growth and reforms in the social development sectors, particularly for women and girls. Furthermore, the majority of the people living on less than $1 a day in Asia live in middle-income countries. These countries’ progress on non-income MDGs has been mixed. ADB should therefore focus on the areas where it has a comparative advantage to assist middle-income countries to achieve all the MDGs.

A second point is the importance of climate change, clean energy and the environment—global priorities for the Swedish government. This year we meet at the birthplace of the Kyoto Protocol—a particular reminder of the challenges we are facing. Rapid climate change and environmental degradation often hit the poor the hardest. We emphasize the importance of international cooperation for efficient mitigation of climate change. Sweden, through the Swedish Energy Agency, is participating in the recently established Asia Pacific Carbon Fund and we specifically welcome its focus on energy efficiency and renewable energy. Sweden also welcomes the proposed focus on environmentally sustainable growth in the Eminent Persons Group report. We support ADB’s commitment to scale up its investments in clean energy projects annually and to review its energy policy. Sweden urges ADB to take a proactive stance to climate change, clean energy, and the environment and to actively implement its commitments.

Third, for ADB to successfully address its challenges, its most valuable asset is its staff. We therefore urge ADB to put forward initiatives and measures that will address effective and transparent human resource management. We also call on ADB to carry out an independent and external evaluation of the implementation of the human resources strategy and to strengthen efforts to move decision making to the resident missions.

Finally, we welcome ADB’s attention to its reform agenda, particularly on issues related to development effectiveness, including managing for development results. However, we wish to see accelerated progress in the implementation of the reform measures. Progress within this area is important for us in determining the allocation of our national development funds, as we are constantly under pressure to show demonstrable results for our taxpayers.

ADB’s guiding vision—an Asia and the Pacific free from poverty—is strongly supported by Sweden. We are now only 8 short years away from the MDG deadline and we believe that a highly efficient and relevant ADB is crucial to attaining our internationally agreed goals in the region. We therefore encourage you to address ADB’s role in the international aid architecture, to build a genuine commitment to the reform agenda within all segments of ADB, and to concentrate your development efforts on sectors where the institution can make a difference to reaching all the MDGs.
On behalf of Switzerland, I would like to extend my gratitude to the Government of Japan and the authorities and people of Kyoto for their excellent and generous arrangements and their warm welcome on the occasion of the 40th anniversary of ADB. Let me also extend a welcome to Georgia and Ireland as the newest members of the ADB family.

Developing Asia’s economic performance was impressive in 2006. The increase in the regional GDP of 8.3% was the highest in over a decade. Thanks to sustained economic growth, the number of people living in poverty is steadily declining in Asia, and positive projections for the future add to the prevailing optimism in the region. It is no secret, however, that just two countries, the People’s Republic of China and India, are responsible for 70% of this growth, and that a considerable number of economies in Asia have not been able to keep up with this high pace. In spite of this exceptional and sustained economic progress, Asia is still home to almost two thirds of the world’s poor, and many Asian and Pacific countries will not reach all the Millennium Development Goals (MDGs) by 2015. This underlines the continued importance of pro-poor growth and the challenge for ADB to continue to support these countries in their struggle to achieve all the MDGs.

Many challenges lie ahead of ADB, as the regional and global environment in which it operates is undergoing radical changes. Let me therefore concentrate on three issues that I believe will be of highest priority for ADB over the coming years. First, clean energy and climate change, which of course is an issue that concerns the whole world; second, regional cooperation and integration in Asia; and third, the future role of ADB in the international aid architecture.

Clean Energy and Climate Change

Asia’s rapid growth comes with a rapidly rising demand for energy. The pollution caused by using fossil fuels contributes to climate change. The Eminent Persons Group Report rightly notes that the issue of climate change and the need to promote clean and renewable energy sources is of fundamental importance if Asia wants to progress on a path of sustainable economic growth. Asia and the whole world should work together in this field, not only because of a common interest, but also because of a shared responsibility.

In this sense, Switzerland commends ADB for its energy efficiency initiative, the establishment of the carbon market initiative, and in particular the Asia Pacific Carbon Fund, to which the Swiss Climate Cent Foundation will participate with $25 million. Switzerland particularly appreciates the fact that the Asia Pacific Carbon Fund will invest upfront in green technologies which will then lead to new carbon credits. I encourage ADB to further step
up its efforts to promote clean energy over the fossil fuels, and to assume a leadership role in this issue in Asia. Furthermore, I agree with the statement by the Eminent Persons Group that climate change, energy efficiency, clean energy, water resource management, and deforestation at both national and regional levels deserve attention in all member countries and in ADB’s work.

What better place than Kyoto to recall that this year marks the 10th anniversary of the Kyoto Protocol. In this respect, I would like to emphasize the important advocacy role ADB should play in promoting a post-Kyoto regime, which includes and commits all major economies in the region.

Regional Cooperation and Integration in Asia

ADB’s strategy for regional cooperation and integration is an important instrument in promoting regional physical infrastructure links, expanding trade and investment, developing sophisticated financial systems, and improving regional health and social systems. The provision of each of these regional and ultimately global public goods is crucial to economic growth and stability in Asia, and key to creating an environment of stability and peace that allows the poor to escape from poverty and live a life in dignity.

I believe that regional cooperation and integration has an important role to play in Asia, not only as a driver of growth, but also in helping reduce disparities between countries. ADB should recognize its potential in this field and seize the opportunity to become a leader in advocating regional cooperation and in facilitating regional integration in Asia. In this context, I welcome ADB’s efforts and achievements in regional cooperation in the greater Mekong Region and in Central Asia.

Future Role of ADB in the International Aid Architecture

Today, Asia is arguably the overall fastest changing region in the world. Many ADB members are projected to enter the group of middle-income countries within the next decade, or have already done so in the recent past. In order to remain relevant to its borrowing member countries, ADB will have to reform itself and adjust its fields of intervention to the changing environment it operates in. During the process of transformation, it is of vital importance that ADB becomes even more selective and focuses on a limited number of core activities, in which it has a comparative advantage in the international aid architecture.

The Eminent Persons Group Report provides us with an insightful analysis of the potential future role of ADB and with a number of interesting proposals on how to transform ADB. While Switzerland appreciates the work of the group, it only reflects one of several elements in the discussion of the future of ADB. We would also like to point to issues that are unfortunately missing in the report, such as governance and anticorruption activities, human rights, as well as a definition of the future role of non-regional members in ADB. The comprehensive review process of the current long-term strategy, which was initiated by the report of the Eminent Persons Group, should lead to the
elaboration of a new long-term strategy. This will be the key instrument in steering the institution's direction, and it will therefore be very important and relevant that the Board has the responsibility to approve the new long-term strategy once it is ready.

Switzerland believes that climate change, clean energy, and regional cooperation and integration are areas where ADB has a comparative advantage and should take a lead role. Other core activities will have to be determined in the process of reform. Emerging from this transformation process, ADB must become a more focused and results-oriented center of excellence. The reformed ADB will probably also be an institution that caters more to the needs of middle-income countries. However, even as Asia is progressing rapidly, the need for interventions in social sectors like health, education, and water and sanitation, as well as agricultural development will persist in many member countries for quite some time to come. In this sense, I call upon ADB not to lose sight of its core mandate – poverty reduction – in defining its future strategic priorities, and also to actively address aspects of gender equity in economic development and poverty reduction.

Finally, I would like to recall that the presidents of all the multilateral development banks (MDBs) have committed themselves to joining forces in advancing the fight against corruption and promoting good governance. In order to achieve tangible results in overcoming this critical obstacle to development, the present drive among the MDBs needs to be sustained and even enhanced. Switzerland therefore encourages ADB to become a leader in governance and anticorruption activities in the Asia and Pacific region in particular, but also among MDBs.

To conclude, I would like to express my thanks to the President for bringing up the issue of the future of ADB in this timely manner. I trust that we can have a productive and open exchange of views, which will lead to a successful transition of ADB, and help us to further improve ADB’s selectivity and effectiveness. I assure you of the continued full support of Switzerland.

TAIPEI, CHINA
FAI-NAN PERNG, Governor

On behalf of the delegation of Taipei, China,* I would like to thank the Government and people of Japan for their generous hospitality, and the staff of the Asian Development Bank (ADB) for their thoughtful arrangements. Kyoto, an imperial capital for over 1,000 years, is adorned with ancient temples and beautiful gardens, blending cultural heritage with natural beauty. It provides an idyllic setting for ADB’s annual gathering. I would also like to join my fellow governors in welcoming Ireland and Georgia to the ADB family.

* Changed by Meeting Secretariat.
Over the last four decades, ADB has contributed greatly to the development of the Asia-Pacific region. During President Kuroda’s two years in office, ADB has crossed many important milestones. It has actively promoted regional economic and financial integration and assisted developing member countries in reducing poverty. It has done an outstanding job in disaster prevention and rehabilitation. I believe that under President Kuroda’s leadership, ADB will continue to steer a course for sustainable growth and prosperity for Asia.

ADB is noted for its sound operations and good credit ratings. In 2006, its total allocable net income surged by 44.7%, or $200 million, from the previous year to $652.4 million. Yet, this striking gain masks a perplexing feature that might have been overlooked. Between 2005 and 2006, income from lending operations as a share of total net allocable income fell from 35.4% to 20.3%. It would appear that the income generated by ADB’s loan business was decreasing.

A possible reason for the decrease in loan business is that ADB’s mandate has prevented it from adopting a more diversified lending policy. The regional cooperation and integration strategy that was adopted in July 2006 has opened up ADB’s lending scope. It advocated that ADB play an active role in regional cooperation based on four pillars: regional and subregional economic cooperation programs on cross-border infrastructure and related software, trade and investment cooperation and integration, monetary and financial cooperation and integration, and cooperation in regional public goods.

A similar proposal was put forth recently by the Eminent Persons Group of ADB in the report Toward a New Asian Development Bank in a New Asia. The group recommended that ADB take a step further from its function of transferring external aid resources for poverty reduction. As a forward-looking regional development institution, ADB should support higher and more inclusive growth to create job opportunities and improve living standards. It should also establish itself as a platform for economic integration and as a financial intermediary within Asia. Beyond channeling excess capital from developed countries to the needy, ADB should link up lenders and borrowers within the region, and effectively combine financial aid with the transfer of knowledge and experiences.

I fully endorse these proposals. They will form an important foundation for ADB to broaden and deepen its operations in future, especially in the area of regional economic and financial integration. To build on this strategic framework, I would like to expound my views on the regional exchange rate stability mechanism and the regional financial assistance arrangement.

With regard to the regional exchange rate stability mechanism, intra-regional trade and investment in Asia have been expanding since the 1990s. Stable exchange rates not only contribute to regional economic stability but also further promote trade and investment by bringing down transaction costs and reducing uncertainties caused by exchange rate volatility. Moreover, the persistence of global trade imbalances in recent years highlights the importance of setting up such a mechanism. This arrangement can provide a buffer against pressure on the US dollar to depreciate if global imbalances continue to worsen.
Therefore, I would urge Asian countries to establish a formal regional exchange rate coordination mechanism as soon as possible to maintain the stability of Asian currencies.

In 2005, ADB introduced the concept of an Asian Currency Unit (ACU). A weighted index of a basket of Asian currencies, the ACU can serve as a benchmark to monitor movements in the values of currencies in the region and, therefore, can provide an important basis for the regional exchange rate stability mechanism. However, the development of the ACU has been on hold. I fully support the continued promotion of the ACU. But I also believe that the ACU should include all major Asian currencies to represent the true economic configuration and financial structure of Asia. To be more specific, Taipei,China’s* economic strength makes it one of the regional powerhouses in Asia. An ACU without the NT dollar would not represent the true external value of Asian currencies.

In terms of the regional financial assistance arrangement, in 2000, the Association of Southeast Asian Nations, together with the People’s Republic of China, Japan, and the Republic of Korea (ASEAN+3), set up a bilateral swap mechanism based on the Chiang Mai Initiative. However, such bilateral mechanisms are mostly based on mutual trust between the parties involved. They are very small relative to the scale of foreign exchange markets and may not be able to help contain the contagion effect arising from financial crises. To enhance its role, I suggest the Chiang Mai Initiative be expanded into a multilateral swap mechanism across Asia with ADB as the intermediary. ADB could also set up mechanisms similar to the IMF’s General Arrangements to Borrow and New Arrangements to Borrow. Under such an arrangement, ADB could borrow from countries with ample foreign exchange reserves within the region and, through this supplementary source of funds, assist member countries in a timely manner in the event of a financial crisis.

Regional economic integration is an inexorable trend and an important foundation for the stability and growth of Asia. However, its success depends on whether countries can cast aside political differences and work closely together. Regional cooperation at all levels and in all forms should be inclusive. All economies with adequate strength and financial resources should be allowed to participate and should not be excluded because of political or ideological considerations. What’s more, ADB possesses more than 40 years of experience, quality staff, technology and other valuable resources. It should play an even more active role in promoting extensive cooperative relationships among member countries. In short, ADB should not be confined by the goals and objectives that have guided it in the past. Instead, it should re-examine the development of Asia from a broader perspective, and accordingly re-define its functions and create a new vision for its future development.

I will take this opportunity to briefly update you on the Taipei,China* economy. Taipei,China’s* real GDP grew by 4.6% in 2006. Not only is this

* Changed by Meeting Secretariat.
higher than the 4.0% in 2005, it also surpasses the target of 4.5%. Our projection of real GDP growth is 4.6% for 2007. Consumer prices are stable. Consumer price index inflation was a mere 0.6% in 2006 and is expected to stay below 2% this year. The balance of payments is in good shape. The current account and overall balance remain in sustained surplus. Foreign exchange reserves have been building up. The private sector maintains a net external claims position.

I would like to reiterate that Taipei, China\(^*\) is a founding member of ADB and has fully carried out its membership responsibilities. My delegation continues to protest against the unilateral alteration of our membership designation. I would also like to call on members to respect each other concerning the equal opportunities of hosting meetings and workshops of ADB. Lastly, I wish the meeting every success.

TAJIKISTAN

MATLUBKHON S. DAVLATOV, Governor

First, let me thank the Asian Development Bank (ADB) for welcoming all the participants at the 40th Annual Meeting in the wonderful city of Kyoto. I would like to join my colleagues in expressing special gratitude to the Government of Japan and the people of Kyoto city for their hospitality and support in organizing this Annual Meeting.

We also welcome Georgia and Ireland as new members of ADB.

I am very pleased to note that the assistance of international agencies, including ADB, which is a major donor and development partner, have allowed Tajikistan to make considerable achievements in economic reforms and development. We now have an opportunity to maintain sustainable economic growth and strengthen our capacity to tackle poverty reduction.

We greatly appreciate the role and efforts of ADB, which was a major partner in developing our long-term National Development Strategy until 2015 and our mid-term Poverty Reduction Strategy for 2007 to 2009, which were endorsed by the Government in early April 2007. Cooperation with ADB in implementing these strategies will be focused on priority areas.

It is no secret that developing countries need greater financial support for their sustainable growth and development, because a lack of their own funds and a heavy debt burden will not allow them to resolve poverty issues independently in a timely manner.

In this context, the Government welcomes multilateral and bilateral initiatives for stimulating the provision of grants and writing off the debts of developing countries.

Considering the shortage of internal financial resources faced by the Government and delays in implementing development projects, I would like

\(^*\) Changed by Meeting Secretariat.
the Board of Governors of ADB to consider the possibility of financing without counterpart funds from governments of developing countries. We are sure that this would allow beneficiary countries to speed up implementation of development projects.

On the other hand, we are very concerned about the decline in the level of overall official development assistance in real terms by 5% in 2006. Even the modest increases in previous years were largely for debt relief, and not for core development activities.

As you may know, the Millennium Development Report (MDG) progress report published in 2006 indicated mixed progress and significant intra-regional and inter-target disparities. In several countries and for several targets, the achievements are likely to fall short of the goals by 2015. Although the responsibility for achieving the MDGs ultimately rests with developing countries, considering the global impact of the MDGs, the international community also has a stake in their achievement. As the level of current official development assistance remains much lower than the donors’ contribution commitment of 0.7% of their gross national income, we would like to request a significant increase in assistance for core development activities.

We greatly appreciate the fact that ADB has already started work on the next replenishment of the Asian Development Fund (ADF X). We wish ADB success in its efforts in cooperation with developed member countries to increase their contribution to this critical fund.

I would like to mention that there is a need to revise the conditions for ADF allocations. Especially, there is a need to reconsider the performance-based allocation policy and make changes in ADF allocation procedures. ADB’s midterm review of ADF IX showed that the country performance-assessment-based allocation has resulted in a significant reduction of funds for the poorest countries, from 17% in 2005 to 13.5% in 2006. While we appreciate the contribution ADF makes to poverty reduction, we are concerned that its allocation guidelines are working against the interests of poorest countries.

We consider that the ADF allocation should be based on “need and performance” instead of the current allocation based on “performance”.

In addition, at today’s meeting, I would like to specifically emphasize the importance of ADB’s initiative on developing regional cooperation. We welcome the setting up of a regional cooperation and integration fund. There is a critical need for such non-lending support to develop regional projects; however, the benefits of such non-lending support are limited. Therefore, we urge ADB to set up an additional lending facility on concessional terms for regional projects. We hope that ADB will play a greater role in developing regional projects in Central Asia, especially those related to clean energy, transport, and communication.

Tajikistan has large untapped renewable hydropower potential that can be harnessed for domestic and regional use. We welcome ADB’s initiative to develop clean energy and for to set up a clean energy trust fund.
The Government of Tajikistan will continue its policy of improving development management to accelerate poverty reduction and market-oriented reforms.

The next Consultative Group meeting will be held on 2 June and the next Central Asia Regional Economic Cooperation (CAREC) Meeting on 4 November in Dushanbe. We would like to see you all then in our country.

THAILAND

CHALONGPHOB SUSSANGKARN, Governor

I am honored to have the opportunity to address this 40th Annual Meeting of the Board of Governors of the Asian Development Bank. On behalf of the Thai delegation, I would like to first of all express my appreciation to our host, the Government of Japan, for the warm welcome to Kyoto, and also to ADB's Management and staff for their excellent organization of this annual meeting.

Before I begin, may I join other governors in extending our special welcome to Georgia and Ireland as the newest members of ADB.

Thailand and ADB have had many decades of long standing relationship and close bonds of friendship. As Thailand is now a middle-income country (MIC), our role in the international arena has changed over the years, bringing forth new development challenges. Thailand has actively participated in providing financial and technical assistance to neighboring countries and to the region. Thailand has contributed to the Asian Development Fund and has been involved in various ADB development initiatives on projects and programs and co-financing.

To further strengthen our cooperation and engagement, Thailand and ADB worked closely together to prepare a country partnership strategy (CPS) which identifies the principal areas of cooperation from 2007 to 2011. It is the first partnership framework between Thailand and ADB and will be a significant contribution to poverty alleviation and economic growth in the region.

We are now approaching 10 years since the financial crisis that started in Thailand in July 1997, and spread to other countries in the region. There is now a great deal of international interest in what has been learned since the crisis, and the current economic strengths of the region. I believe that today the region has made a tremendous turnaround through tough policy reforms and economic and financial restructuring. However, without support from the international community, which provided aid, guidance, and assistance, Asia would not have emerged from the crisis as swiftly as we did. Today, growth rates in the region are rapidly expanding, helping to make Asia one of the fastest growing economies in the world.

However, one must not forget what caused the financial crisis and the turmoil it brought about to the region. The Asian financial crisis in 1997 was a clear testament to the risks associated with overly rapid growth that was
Thailand

beyond our capacity. If Asia had had stronger economic fundamentals with greater resilience and immunity to economic shocks, the hard landing would not have been so damaging. Therefore, to prevent a recurrence of the economic crisis, a balanced development strategy for Asia is needed so the region can develop in line with the forces of globalization and can be shielded against inevitable shocks.

Thailand appreciates ADB’s efforts in planning a seminar with the theme “10 years after the financial crises” in Bangkok in July 2007. We are happy to co-host the Bangkok seminar with ADB. The event will gather prominent speakers and government representatives from affected countries to share their experiences and lessons learned. I believe that the seminar will be a fruitful event, particularly by providing first-hand insights into affected countries.

Our Asian region today is one of the fastest growing regions in the world. However, we still face many challenges if we are to maintain sustainable growth. Global imbalances that pose threats to global financial stability may have effects upon small and emerging economies, which tend to be very vulnerable to external risk factors. Should the financial markets lose confidence in the US dollar, the currency could depreciate rapidly, leading to a dramatic appreciation in other currencies.

Thailand, as one middle income country, has been particularly affected by the volatility of capital flows and their impact on exchange rates. I believe that this is also true for many other emerging market economies. To reduce the risks of severe financial stress, we need to come up with effective means to properly manage exchange rates despite volatile capital flows.

The solution will probably require greater regional cooperation and coordination on exchange rate management. On this issue, more guidance is needed from the international community and international financial institutions. Here, ADB should be able to offer support to its member countries. Thailand urges ADB, with the consideration from the Board of Governors, to support MICs by utilizing the technical capacity of ADB to work in partnership with the governments and academics from these countries to explore measures that could help to manage capital flows and reduce exchange rate volatility in the Asian region.

To conclude, let me end by expressing my confidence that ADB, under the leadership of President Kuroda and the ADB team, will continue to play a fundamental role in the development of Asia as it steps into a new era. In the near future, we hope to see ADB’s role move forward so it becomes more of a “knowledge bank”, thus responding to one of the recommendations from the Eminent Persons Group, in order to fit in with the region’s rapidly-evolving economic environments.
It is an honor for me to address this 40th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). I wish to express our sincere appreciation to the Government and the people of Japan for having received us warmly in this beautiful city of Kyoto.

May I also take this opportunity to extend a warm welcome to Georgia and Ireland, as new members of ADB.

I would also like to congratulate ADB’s Vice Presidents Bindu Lohani and Ursula Schaefer-Preuss and Managing Director General Rajat Nag on their appointments.

As we all know, the Asia and Pacific region is still home to more than 600 million people living on less than $1 per day. Despite some progress, much more remains to be done to reduce poverty and achieve the Millennium Development Goals (MDGs) in the region. In the era of globalization, it is important for us to recognize that global prosperity cannot be achieved while extensive pockets of poverty remain.

As an important and trusted partner in Asia’s development, ADB must strengthen and enhance its role in working with developing member countries. Its main goal must be lifting people out of poverty. We recognize that, in order to meet the rising needs of a rapidly changing Asia and the growing expectations of developing member countries (DMCs), ADB needs to undergo essential changes in function and structure. In this respect, we welcome the Report of the Eminent Persons Group, which envisages a new role for ADB to suit the region’s new and quickly evolving economic and political environment. Realignment of ADB’s operational priorities will help ADB to become more relevant and more responsive to its developing member countries in achieving the overarching goal of poverty reduction and in reaching MDGs.

The significant progress that has been made in implementing ADB’s comprehensive and ambitious reform agenda since 2004 is particularly noteworthy. However, effective implementation of the broad-ranging initiatives under this reform agenda requires continuous close engagement of shareholders in the follow-up process.

One of the biggest challenges for the region, a critical component of ADB’s reform agenda, is fighting corruption and enhancing transparency. We support ADB’s decisiveness in showing “zero tolerance” for implementing anticorruption policy and procedures in ADB projects. We are also content with ADB’s work with other multilateral development banks (MDBs) to develop a set of strong, uniform anticorruption standards.

We believe careful and improved management of resources is vital to achieve better verifiable development results. We attach great importance to assessing and improving development effectiveness within ADB and through
global partnerships. We therefore support ADB’s application of managing for development results in DMCs. We stress that harmonizing ADB’s operational practices and procedures with those of other MDBs is very important to reduce transaction costs for DMCs and to improve the efficiency and effectiveness of development assistance. Upcoming negotiations for the replenishment of the Asian Development Fund (ADF X) will provide a good opportunity to stress the importance of improving development effectiveness.

A forward-looking strategy is vital to making lending products more attractive to middle-income countries and to streamlining policy and procedures so unnecessary costs are not incurred. The introduction of new strategies and instruments to improve the response to the needs of DMCs, especially middle-income countries, is inevitable. However, the impact on ADB’s financial standing should be evaluated carefully.

Promotion of the role of the private sector in development is another very important issue. ADB can play a catalytic role in the region by helping countries set up institutional and regulatory environments that are favorable to private sector investments. The integration of private sector development initiatives into sector road maps and country partnership strategies is very encouraging.

In conclusion, I would like to express our appreciation to President Kuroda, the Management and staff of ADB for their dedicated and committed work in the fight against poverty in the region. We look forward to close cooperation with ADB and the other shareholders in shaping the future of the institution.

TURKMENISTAN
DOVLET AHATOV, Head of Delegation

On behalf of the Government of Turkmenistan I would like to express gratitude to the President of the Asian Development Bank (ADB), Mr. Haruhiko Kuroda, the Management and staff of ADB, as well as to the Government of Japan and Kyoto city for the organization of this 40th Annual Meeting.

I would like to begin my statement with a brief description of the latest achievements of the Turkmen economy.

Over a short period of time since the independence of Turkmenistan, substantial economic, political, and legal reforms have been implemented. We have managed to achieve national accord and sustained growth in the people’s welfare that will form a good basis for harmonizing the economic, social, and other spheres of life in the independent neutral state of Turkmenistan.

One of the main achievements of Turkmenistan since independence has been the provision of macroeconomic stability and steady economic growth. In 2002–2006, the volume of the national economy increased by more than 2.4 times, in line with strong GDP growth of over 16%. The positive trade surplus increased by 2.6 times and international reserves increased by 1.8 times in 2006.
in comparison with 2005. This has meant Turkmenistan has needed hardly any foreign borrowing.

Economic growth in the first quarter of this year was solid. In particular, GDP growth was 20.2%. The inflation level more than halved. The state budget surplus accounted for 8.3% of GDP. The trade surplus was over $1 billion, which was twice that in the same period the previous year. Investments in all branches of the economy promoted high economic growth. In the first quarter of this year, investments in Turkmenistan were 2.4 trillion Turkmen manats.

Over the years of independence, successful economic reforms allowed Turkmenistan to achieve self-sufficiency in foodstuffs and to increase its export potential. The independence of the country is based on its high rates of economic growth, including growth in leading branches of industry and agriculture, as well as on the balanced budget and the positive foreign trade balance.

The reforms in Turkmenistan are socially oriented and the state budget expenditures for the social sphere have increased steadily. A large share of state budget expenditures is channeled to the social sphere.

Over the years of independence, a sound banking system has been developed. The banks of Turkmenistan have expanded the range of their services and increased their capital. The quantity and the amounts of non-cash payments continue to grow and there is more and more use of plastic cards. The competition is increasing in almost all areas of banking activity which is a positive sign for the economy.

The Government of Turkmenistan greatly appreciates its cooperation with ADB. The results of our cooperation over previous years will form a strong base for our further mutually beneficial relationship.

We note with satisfaction the active and dynamic work of the ADB in Turkmenistan in the implementation of regional projects on energy and infrastructure development. We see many opportunities for our further mutually beneficial cooperation. We would like to express our confidence that in the future ADB will continue to cooperate with Turkmenistan and to contribute to even more successful socioeconomic development of the country.

UNITED KINGDOM

CHARLOTTE SEYMOUR-SMITH, Temporary Alternate Governor

It is a real pleasure to be in this beautiful city with its rich history and culture, and I wish to join other colleagues in thanking the Government of Japan, and the people of Kyoto for their kind hospitality. I am also honored to be speaking in this hall where the Kyoto treaty was negotiated a decade ago, and I would like to open by saying a few words about climate change.
Many of you will be aware of the report of Sir Nicholas Stern warning us of the adverse economic consequences of climate change and the need for urgent global action. It is now clear that climate change is having the earliest and biggest impact on the poorest countries. The economic case for action is irrefutable; the benefits of early action outweigh the costs, and any further delay will have profound impacts on the most vulnerable. The Clean Energy Investment Framework is about sustainable growth; it provides an investment vehicle to bring better technologies to bear to mitigate risks and to address market failures. We are convinced that clean energy technologies can meet the needs of all in a way that is both affordable and minimizes the negative impacts on the global climate. Asia must rise to this challenge. It has an opportunity to show that it can lead the world through technological innovation in addressing climate change.

ADB must show leadership too. We welcome the initiatives already in train in ADB, such as the work on energy efficiency, regional knowledge hubs, the action plan for the transport sector, and the carbon markets initiative. Through its Clean Energy and Environment Program, ADB has introduced and implemented a range of actions and initiatives that target the increase in low carbon, clean energy, and energy-efficient projects to decrease greenhouse gas emissions in the region.

ADB has a key role to play in helping lower-income countries develop as low-carbon economies, in providing access to energy for the poorest, and in helping vulnerable countries mitigate the effects of climate change. Financial instruments that can deliver quick climate-friendly investments will be a valuable tool in achieving this.

We look forward to discussing ADB’s revised energy policy, which must place significant emphasis on climate change adaptation and ADB’s assessment and response through its country programs. I believe the next steps for ADB need to include work on adapting its package of initiatives, and the development of an overarching investment framework which will bring together the three strands of work: mitigation, energy access, and adaptation. Putting in place an integrated climate change strategy will not only demonstrate ADB’s commitment but also show borrowers that ADB can, and will, act to help them meet the challenge.

We stand ready to play our part. That is why our Chancellor, Gordon Brown, recently announced a new $1,600 million Environmental Transformation Fund. This will provide resources for a range of activities financed under the Clean Energy Investment Framework (ETF). We look forward to discussing the possible role of ADB in the ETF.

I enjoyed, as I know many of you did, a very interesting session on the report of the Eminent Persons Group on Saturday morning and it is on this subject that I would like to speak next. The United Kingdom (UK) welcomes the report in that it recognizes the need for change. Last year in Hyderabad I highlighted the need for ADB to focus on its strengths, concentrating on those sectors where it enjoys a comparative advantage. I am very pleased to
see that the report pushes for more focus in ADB’s activities. It goes without saying that we welcome the report’s focus on environmental sustainability. We agree that knowledge transfer is an important area for ADB in the future, and we were also pleased to see the report address a variety of ideas for the use of capital. We agree that ADB needs to address the constraints on countries reaching middle-income status for it to retain its relevance in the region.

The report does, however, raise some concerns for the UK and I would like to outline these briefly.

Last year in Hyderabad I said that we were disappointed that the draft medium-term strategy II did not address the different needs of middle-income, low-income and weakly performing borrowers. These concerns have not been allayed by the report of the Eminent Persons Group. It does not adequately address the diverse and broad ranging challenges facing low-income countries.

It also raises unanswered questions about the future role that non-regional members have to play, particularly in view of the forthcoming Asian Development Fund (ADF) replenishment. We should not shy away from answering these difficult questions. The Bank must evolve as the circumstances of its borrowers change. But in this anniversary year we must be true to the spirit and ideals of ADB, and renew our commitment to the poor: poverty elimination must remain at the heart of our work.

The report paints a very optimistic picture of Asia’s future. We generally share this view but we must not understate the risks and challenges which have been identified. ADB has a very important role in providing top quality advice to Asian policy makers that seek it to help them address these issues. It would also have been helpful to have an idea of the scale of operations that the EPG envisages for the ADB.

Finally I must stress the importance to the UK of all shareholders being fully involved in the process of taking forward the debate started by the report of the Eminent Persons Group in developing the long-term strategic framework. We look forward to hearing further how this will take place.

Before closing I would like to say a few words on development effectiveness. The UK Government is increasing its development assistance budget substantially over the next few years. We shall continue to deliver a significant proportion of our overseas development assistance via multilateral agencies, some of which will be explicitly targeted at Asia. The decisions on resource allocation between multilateral institutions will be largely based on our analysis of the effectiveness and impact of these institutions, including of course ADB. We will therefore need to see clear evidence of effectiveness, including a reform agenda that is being pursued effectively.

We have supported the approach to human resources reform, which we believe is fundamental to improving institutional effectiveness. We believe that ADB’s most valuable asset is its staff. We have therefore been disappointed to see that new initiatives have not been properly introduced and that their effectiveness has been limited, and staff morale damaged. Senior management, led by you, Mr. President, must address this urgently. Over the coming year
we want to see significant progress made in implementing the agreed human resources reforms.

We welcomed the implementation of the management for development results framework. However in order to be effective, ADB needs to make the move from simply measuring results to mainstreaming management for development results in all of its operations. Most importantly, senior management must take responsibility for its adoption. In Hyderabad last year we called for the vice presidents to be given greater responsibility for delivering results and to be held accountable for this. We welcome some progress on this in the past 12 months but I know that several changes will be made over the next year to the ADB top management team, and I would like to reiterate our wish to see them all playing their full part in ADB's operations.

Finally, let me say that in the coming year and beyond we are facing a set of important challenges. Those of us who work in development are fortunate to have the opportunity to help improve the lives of the poorest people. If we do our work properly, millions of people will leave behind lives blighted by poverty and deprivation. I look forward to continuing our fruitful relationship with the ADB to help its borrowers meet the Millennium Development Goals more effectively.

UNITED STATES
KENNETH PEEL, Head of Delegation

I am honored to represent the United States at the 40th Annual Meeting of the Asian Development Bank (ADB). On behalf of Treasury Secretary Paulson, I would like to extend our gratitude to our gracious hosts – Japanese Finance Minister Omi and ADB's President Kuroda.

It is right that we are holding this 40th Annual Meeting in Kyoto, the magnificent historic capital of the country that has given so much to this vital institution.

First, allow me to express my deep gratitude for the commitment, expertise and hard work of ADB staff. I would particularly like to highlight their work on the economic revitalization and reconstruction of Afghanistan, on rapid and appropriate responses to natural disasters, the prevention and control of infectious diseases, assistance in the reform of local financial systems and capital markets, and assistance in combating money laundering and human trafficking. This gives us great confidence that they can meet the challenges ahead.

The challenges are considerable but they are challenges partly born in ADB's own accomplishments.

As we assemble here, Asian economies continue to record remarkable economic performance. This in turn is creating more economic opportunity
and higher standards of living for more people, contributing to a significant reduction in poverty. Just between 1990 and 2004, poverty in East Asia declined from 29% to 8%. During the same period across the whole of the Asia and Pacific region, extreme poverty has dropped from 35% to 19%.

More and more countries in the region are not only on a path to graduating from concessional borrowing, but from multilateral development bank (MDB) borrowing altogether. Some are stepping confidently across the next threshold and joining the ranks of donor nations.

In addition, the strong growth and low inflation of the last few years have come with an emergence of global imbalances that need to be addressed so that rapid global growth can be sustained. Economic adjustment to improve global imbalances and encourage economic development is a shared responsibility. Asian economies have a critical role to play in global economic adjustment by pursuing greater exchange rate flexibility, strengthening domestic demand, and reforming the financial sector.

Despite the encouraging trends cited above, about half the world’s most extreme poor still live in the region. The remarkable success of many countries sits alongside the continuing poverty of millions of people. These two parallel realities form the challenge we face in charting a strategic direction for ADB in the years ahead.

ADB faces some important questions. First, what is the continuing role for ADB in a region where many of its member countries enjoy the fruits of hard-won economic success, including ready access to private financial markets? Second, what can ADB continue to offer to middle-income countries, consistent with its core mission of economic growth and poverty reduction? Third, what are the key challenges facing the region’s poorest countries, and what are ADB’s comparative advantages in meeting those challenges? Fourth, how can ADB differentiate itself from other development partners, including the World Bank, in a manner that makes the most efficient use of its capital, accumulated expertise and human resources? And fifth, what is the appropriate role for ADB in fostering regional economic integration?

None of us can pretend that we have the answer to all of these questions today. But we will need the answers soon. As Asia continues its rapid development, ADB will face the most fundamental questions related to its first principles – not today, not next year, but certainly within the next decade or two. One way or another, ADB will become a different institution from the one that has served it so well in its first 40 years.

As we consider those challenges, it is useful to return to some of the first principles that inspired the founding of this and the other multilateral development banks. Their most basic mission was, and is, to leverage the resources of the international community for countries that lack access to affordable private capital, to help create jobs, economic growth and higher living standards for some of the world’s most desperate poor. This should still be the central organizing principle for ADB, and our decisions on ADB’s future directions and priorities should flow from it.
This means we should celebrate when countries no longer need ADB to finance their development needs, not seek ways to artificially create incentives to lend to them. Instead, we should think of services ADB might continue to provide on a transitional basis.

It also means that ADB should focus on how it can best serve the poorer countries that continue to need its help. This means not trying to be all things to all countries, but instead identifying matches between ADB’s demonstrated capabilities and the critical development needs of the region. ADB’s private sector operations have demonstrated ADB’s expertise and ability to mobilize significant cofinancing. ADB should continue to support improvements in the region’s investment climate and regulatory environment. At the same time, the ADB must ensure that its financing achieves development results, contributes genuine additionality, and catalyzes, rather than competes with, the private sector.

The United States also supports ADB’s work in developing local bond markets. Strong capital markets require several key components: strong property rights, robust supervisory regimes with clear and transparent rules, sound accounting standards, strong corporate governance, objective financial analysis and research, meaningful disclosure regimes, and independent credit rating agencies. ADB can play an important role in fostering these practices and regulatory frameworks.

Modern, efficient, well-planned infrastructure is essential to private-sector-led growth. This is already a primary focus of ADB’s work, and can become even more so. Public-private partnerships should be further developed to attract private investment in infrastructure. Infrastructure, of course, has a strong regional integration component, which ADB is well placed to explore and develop.

While ADB may also specialize in other areas, it should identify and focus on a finite number of areas where it has a comparative advantage. It should remain steadfast to its original mandate as an economic development institution—not seek new mandates that stray from this mission. And when the private sector can take over—as it should, and as was always intended—ADB should step aside and declare victory.

In all of its work, of course, ADB needs to demonstrate accountability, transparency, and results. While progress has been made in these areas in recent years, more effort is required to achieve the kind of results-based management that is needed. The institutional structure and culture of ADB should reflect the requirements of the results agenda by embracing a new incentive structure that rewards staff for delivering development impacts, not for simply increasing lending volumes; it is quality, not quantity, that counts most.

ADB must also continue the fight for good governance. Much has been accomplished in attacking corruption in recent years through the implementation of the Governance and Anticorruption Action Plan. We urge ADB to continue this work by doing more to mainstream governance improvements, address the risks of corruption in its programs, and engage with borrowing countries. Such steps would include cross-debarment and published lists of disqualified firms.
These are surely profound – even daunting – questions about the purpose and structure of the ADB in the years ahead. But we must not shirk from our responsibility to address and answer them. We owe it to the people of the region, to our citizens at home, and to the hard-working staff of ADB. I look forward to tackling this challenge together.

UZBEKISTAN

RUSTAM AZIMOV, Head of Delegation

As we have the honor of taking part in the 40th Annual Meeting of the Asian Development Bank, we remember the atmosphere of uncertainty and concern that preceded our 30th Annual Meeting in Fukuoka ten years ago on the eve of the Asian financial crisis.

Ten years later, the Asian development model has proved efficient, strong, and viable. Over the last decade, most Asian economies, with important contributions by ADB, have not only overcome the consequences of the crisis, but the position of Asia as the fastest growing region of the world has strengthened, and it has become the main engine of economic growth for the global economy.

We express our gratitude and respect to the ADB leadership and staff, who have professionally and efficiently carried out its mission of supporting economic growth and poverty reduction during this period.

The Republic of Uzbekistan under the leadership of President Islam Karimov consistently implements economic reforms which ensure macroeconomic stability and deep structural changes. As a result, for the last 4 years Uzbekistan has experienced high sustainable economic growth exceeding 7% a year. In 2006, GDP growth reached 7.3%, trade volume grew by 13.5%, and exports grew by 18%.

Despite the fact that the traditional exports of Uzbekistan are commodities such as natural gas, oil products, gold, silver, uranium, and cotton, because of successful structural reforms, in 2006 non-commodity exports grew by 36% and reached over 60% of total exports. The trade surplus increased by four times in comparison with the previous year.

Today the reform agenda in Uzbekistan includes the full privatization of agriculture; the modernization and greater competitiveness of industrial sectors, such as oil and gas, mining, aircraft construction, chemicals, and power generation; as well as the creation of new high-tech technologies such as petrochemicals, automobiles, information technology, pharmaceuticals, electronics, and textiles. As a result, the industrial share of the gross domestic product (GDP) over the last 3 years increased from 14% to 23%.

We consider foreign direct investment and the rapid growth of the private sector to be the strategic basis of the economy. Therefore, President
Islam Karimov has defined the creation of a strong social sector and modern infrastructure as the primary task of government economic policy.

We greatly appreciate ADB’s support for reforms in such vital areas as the development of the educational system, the creation of modern transportation, effective agricultural infrastructure, and improvements to the water supply.

The overall volume of financial and technical assistance provided by ADB has reached $1 billion, which demonstrates the high level of cooperation between ADB and Uzbekistan.

We welcome the important steps initiated by President Kuroda in 2006 on the introduction of new tools and improvements to the quality of ADB operations. We are convinced that these measures will make ADB and its services more efficient and attractive for its clients, the member countries.

Also, we fully support the strengthening of ADB’s role in encouraging regional economic integration in Central Asia. Because of its geopolitical location in Central Asia, economic potential, and historical role in the region, Uzbekistan has never limited itself to internal development. We have always been committed to the principles of sound regional integration and are convinced that only by joint efforts can we solve problems and create security and stability in Central Asia, achieve high and sustainable economic growth, and significantly improve the living standards of our people.

Meanwhile, we draw the attention of the ADB Management to the necessity of increasing ADB’s role in private sector development, which is the driving force for sustainable economic growth and poverty reduction. We call on ADB to intensify its activities in this area in the years ahead.

We strongly support the initiative put forward by the ADB Governor for Japan, H.E. Koji Omi, on activating ADB’s role in projects related to the clean development mechanism of the Kyoto Protocol. This is particularly relevant because in post-Soviet countries vast industrial entities are still based on highly inefficient energy-consuming technologies.

ADB has started its fifth decade in good shape as a highly efficient, client-oriented and professional financial institution and as a good example for other IFIs. We congratulate President Kuroda and his dedicated team on the success achieved last year and fully support the new initiatives announced yesterday.

On behalf of the Uzbekistan delegation we would like to thank the Government of Japan for the excellent organization of this Annual Meeting and the people and authorities of the amazing city of Kyoto for their sincerity and warm hospitality.
VIET NAM
PHUNG KHAC KE, Alternate Governor

I am very pleased to be here today and to speak at this 40th Annual Meeting of the Asian Development Bank (ADB). Firstly, I would like to congratulate ADB and the host country of Japan on successfully organizing this important meeting. Let me also take this opportunity to warmly welcome Georgia and Ireland as new official members of the ADB family.

In 2006, the world political and economic situation continued to ebb and flow. Unfavorable weather and other factors led to turbulence on the commodity markets, especially in the price of crude oil and gold. However, the world economy still thrived and international trade flows increased by 8.9%, compared with the 7.4% increase in 2005. In particular, the developing economies in Asia continued to achieve remarkable growth and drove world economic growth to 5.1%, as reported recently by the IMF.

In 2006, Viet Nam’s achievements in its international relations and economic cooperation created a more promising business environment and opened up opportunities. Viet Nam joined the World Trade Organization (WTO) as its 150th member. It successfully hosted the 14th Asia-Pacific Economic Cooperation (APEC) Summit and was nominated as a non-permanent member of the UN Security Council. It attracted record foreign direct investment (FDI) both in terms of the committed amount and implementation. Its securities market flourished. Viet Nam exceeded all its socio-economic development targets for 2006. The development cooperation between Viet Nam and international institutions, bilateral and multilateral donors, has constantly strengthened and developed. These outcomes demonstrated the international community’s increased confidence in Viet Nam and strengthened its position in the international arena.

In order to promote the doi moi policy of Viet Nam and “sustainable growth and successful integration”, the National Assembly endorsed the new 5-year Socio-economic Development Plan for 2006-2010. This had the following objective: “Accelerate the economic growth, enhance the effectiveness and sustainability of development, and quickly bring our country out of underdevelopment. Significantly improve the people’s material, cultural, and spiritual living standards. Boost industrialization and modernization and develop the knowledge-based economy, and create foundations to make our country basically become a modern industrial country by 2020. Continue strengthening and expanding foreign relations and heighten Viet Nam’s position in the region and elsewhere.”

International and regional instability led to price increases for imports and hence for domestic products. These increases, together with natural disasters, unexpectedly changeable weather, and epidemic diseases, clearly affected the Vietnamese economy. Nevertheless, thanks to well-defined and flexibly
implemented macro-economic policies and measures, the economy in 2006 performed well. The year 2006 also marked the beginning of a new leap forward for the Vietnamese economy. Last year was the first successful year of the 5-year Socio-economic Development Plan (2006-2010).

In particular, the Vietnamese economy maintained an impressive GDP growth rate of 8.2% and the economy gradually shifted away from state ownership toward more non-state foreign investments. The quality of products improved and the competitiveness of the economy increased. Last year for the first time Viet Nam’s total exports exceeded $40 billion, a 22.8% increase over 2005. Total budget revenues in 2006 were estimated to be $15.7 billion, up by 19% compared with 2005, supplementing the resources for infrastructure, production, economic growth, and poverty reduction. The poor household ratio according to the new poverty line decreased from 23% in 2005 to 19% in 2006. Total domestic investment was estimated to be about 41% of GDP, of which one-third was accounted for by enterprises. This boost in investment created 1.65 million new jobs, about half of which were guest workers.

In 2006, the Government of Viet Nam continued its reforms in order to accelerate international economic integration. The reforms included: administrative reforms; further international economic integration; simplification of domestic procedures; decentralization; further improvement of the legal framework to meet the demands of business management and economic reforms; facilitating enterprise development; supporting market mechanisms and creating conditions for different markets to evolve and operate; and strengthening efforts to combat corruption.

In order to maintain a GDP growth rate at above 8% for the next few years, the Government of Viet Nam will face many challenges and problems, especially achieving fair and sustainable development, increasing the competitiveness of the economy, mobilizing and using social resources, and actively participating in the process of globalization following its WTO accession. The valuable support of the international community over the past years has made a significant contribution to Viet Nam’s success and we hope to enjoy further support to help Viet Nam sustain its development and to reduce the percentage of poor households to 10% by 2010.

The Government of Viet Nam greatly appreciates the valuable support of ADB, which has supported Viet Nam with resources and strategic development advice through many programs. A new ADB country strategy and program for Viet Nam for 2007-2010 has been agreed. According to this, ADB will extend about $1 billion from its Asian Development Fund (ADF) and $3.2 billion from its ordinary capital resources to Viet Nam over the next 3 years. Viet Nam greatly values improvements in coordination and cooperation in the country strategy and program, and the harmonization of procedures to ensure resources are used more effectively. ADB has a deep understanding of the region and always takes the lead in supporting sustainable development. The issues that ADB is concerned about are the very ones that Viet Nam is determined to address in its national strategy.
We believe that the policies adopted by the Management of ADB in the near future will help increase the effective use of investments, improve the environment, enable comprehensive investment, enhance regional cooperation, and increase the role of governance in fighting corruption. These are the objectives set by the ADB in 2006 in the medium-term strategy II for 2006-2008. In addition, the Greater Mekong Subregion program initiated by ADB has always been viewed as a successful example of regional cooperation. Viet Nam strongly supports ADB’s promotion of regional cooperation and integration through its programs, projects, and technical assistance.

The Government of Viet Nam strongly supports new policies to enhance effectiveness. It is committed to working with ADB in order to resolve matters of mutual concern, achieving comprehensive development and sustainable poverty reduction. The Government and the people of Viet Nam acknowledge and appreciate the importance of ADB’s effective support of our programs and projects. We hope that ADB will continue to be even more successful in leading Asia and the Pacific region, and that it will provide further support for the development and integration of its developing member countries.

I would like to take this opportunity, on behalf of the Vietnamese people and Government, to extend our sincere thanks for the precious support that the Board of Directors and the staff of ADB have extended to Viet Nam.
Closing Remarks by the President of ADB
HARUHIKO KURODA

Introductory remarks

The 40th Annual Meeting is now coming to a close. This has been a memorable and successful meeting. The various events and discussions that have taken place show how far we have progressed in fulfilling the vision of ADB's founding fathers. At the same time, we recognize the challenges and opportunities that lie ahead. I thank Governors for their insights on how the role of ADB can evolve while ensuring that it continues to respond to the needs of all developing member countries.

Let me briefly review a few highlights of this Annual Meeting.

The Region

Governors observed that developing Asia and the Pacific achieved yet again its highest growth rate since the Asian financial crisis. This growth is contributing to a further decline in absolute poverty in Asia, while enhancing confidence in the region's further economic development.

Despite this, about 620 million people continue to live on less than US$1 per day. Rising inequality across the region poses a challenge to social stability and growth. Too many people do not have access to employment because they lack the necessary knowledge and skills. Achieving the Millennium Development Goals remains a major challenge for the region and ADB should play a central role in helping countries to achieve their targets. While there is reason to celebrate the reduction of poverty in Asia and the Pacific, prosperity must be accompanied by improved equity and social progress.

The Governors agreed that the region's growth must be sustainable. We must use natural resources wisely and efficiently and in ways that do not pose environmental and health hazards. With the region's growth contributing to higher greenhouse gas emissions, Governors similarly agreed on the need for cooperation and greater investment in cleaner and more efficient energy use and alternative energy sources.

ADB in the Region

Most Governors welcomed the recovery in ADB's sovereign lending in 2006.

Governors appreciated the Report of the Eminent Persons Group (EPG). They viewed positively many of the report’s recommendations but also drew attention to areas which, in their view, were missing or merited more careful consideration. The debate that has surrounded the Report of the Eminent Persons Group underscores the imperative for ADB to evolve to meet new challenges while staying focused on poverty reduction.

For this purpose, I have initiated a review of our long-term strategic framework, to which the EPG Report provides important input. We will define, through consultations with stakeholders, our path to the future.
Governors noted that infrastructure will remain essential to ensure the poor benefit from the region’s prosperity. Infrastructure not only supports economic growth, it connects children to schools, families to health care, and all people to economic opportunities. It is also an area where ADB has a distinct comparative advantage, and decades of experience. Governors agreed that ADB should improve the investment climate for private sector participation and scale up its infrastructure financing, while ensuring clear links to improvements in people’s standards of living.

Governors also emphasized that ADB should continue to promote good governance and anticorruption activities, and pursue its internal reforms to improve institutional effectiveness and quality of services.

I appreciate the Governors’ support for our Regional Cooperation and Integration Strategy, and the Facility we have designed to support it. We are committed to a more proactive role in regional cooperation and integration to help less developed countries benefit from the global economy.

I am grateful to the Governors for their continuing support for ADB’s efforts on sustainable development. ADB’s Clean Energy and Environment Program will assist our developing member countries to deal with their energy and climate-related challenges. Governors welcomed the ADB Board’s approval of the establishment of the Asia Pacific Carbon Fund. Governors also supported an enhanced role for ADB in using knowledge and supporting innovation and technology to shape the region’s response to emerging challenges.

The Asian Development Fund (ADF) is critical to assisting low-income developing member countries. I am pleased that donor members agreed to begin negotiations on ADF replenishment—ADF X. Further scaling up of assistance and effectiveness is critical to achieve lasting impacts in ADF recipient countries, including those in fragile situations or facing debt distress.

Concluding Remarks

As our 40th Annual Meeting draws to a close, I would like to reaffirm my commitment to work closely with you to evolve the role of ADB and to realize the shared vision of a region free of poverty.

It has been a privilege to meet with you here in Kyoto to celebrate these 40 years of progress in Asia and the Pacific and to discuss how we will bring further success and prosperity to the region.

I would like to express our deep appreciation and gratitude to the Chairman, the Honorable Koji Omi, Minister of Finance of Japan, for the excellent arrangements. I especially want to thank the city and the people of Kyoto, who, through their warm and gracious hospitality have made this 40th anniversary of ADB a very special occasion.

I would also like to congratulate the Governor for Spain, who will serve as Chair of the Board of Governors for the coming year.

Finally, I wish all of you a safe and pleasant journey home. I look forward to seeing you next year when we will meet in Madrid on the occasion of ADB’s 41st Annual Meeting.
The 40th Annual Meeting of the Asian Development Bank (ADB) is coming to an end. I feel greatly honored to have played host to this memorable event here in Kyoto.

I would like to express my sincere gratitude to the Governors, the ADB staff, and all the participants for their cooperation in the success of this meeting. In particular, I am grateful to the Governors of Samoa and Spain for their help as the Vice Chairs. In addition, on behalf of the Governors, I would like to express special thanks to the people of Kyoto for their hospitality.

Over the past two days, the Governors have offered various opinions on such matters as the future challenges for Asia and the role of the ADB. Many Governors have pointed out the enormous achievements of the Asia-Pacific region in the past 40 years, and ADB’s contribution to those achievements.

At the same time, they pointed out that there are still a number of challenges to be tackled, including poverty reduction as well as some new challenges such as climate change and other environmental problems. The Governors also shared the view that ADB must continue to undertake its important mission as a regional development bank so that this region will overcome the challenges that face it and become a model for the other regions in the world.

I expect ADB to listen sincerely to these valuable opinions from the Governors and to continue to contribute to the development of the Asia-Pacific region. I also expect President Kuroda to continue to exercise excellent leadership in the accomplishment of ADB’s mission.

I would like to end my closing remarks by expressing my hope that all of you will fully enjoy this beautiful city of Kyoto and return home safely.
Reports of the Board of Directors
Presented at the Meeting
SUMMARY OF PROCEEDINGS
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS’ REPORTS

REPORT OF THE BOARD OF DIRECTORS

In accordance with Article 31 (iii) of the Articles of Agreement and Section 15 of the By-Laws, the audited financial statements of ADB for 2006, including the financial statements for the operations of Special Funds, as contained in the Annual Report for 2006, are submitted for approval, together with the text of a draft Resolution.
ALLOCATION OF NET INCOME

REPORT OF THE BOARD OF DIRECTORS

1. ADB’s net income from its ordinary capital resources for the year ended 31 December 2006 after appropriations of guarantee fees of $4,169,172 to the Special Reserve in accordance with Article 17 of the Articles of Agreement, amounted to $565,886,420. With respect to such amount, the Board of Directors, after due consideration, recommends that the Board of Governors adds from Cumulative Revaluation Adjustments $138,478,782; and allocates $52,000,000 to Loan Loss Reserve; $286,182,601 to Ordinary Reserve; $286,182,601 to Surplus; $40,000,000 to the Asian Development Fund; and $40,000,000 to the Regional Cooperation and Integration Fund.

2. The Asian Development Fund (the Fund) incurred a net loss of $82,163,105 for the year ended 31 December 2006. In view of the net loss for the year, there would be no income available for transfer from the Fund.

3. A draft Resolution implementing the recommendation in paragraph 1 above is attached.
BUDGET FOR 2007

REPORT OF THE BOARD OF DIRECTORS

A. Asian Development Bank

1. A report on the budget for 2006 was submitted to the Board of Governors of the Asian Development Bank (ADB) at the Thirty-Ninth Annual Meeting.1

2. Actual net internal administrative expenses (IAE) for 2006, as presented in Appendix 1, amounted to $299.4 million. This reflects a saving of $13.4 million2 (4%) against the original budget of $312.9 million. Overall savings were primarily attributed to lower than expected staff-related costs,3 relocation, business travel, and administrative expenses. About $1.4 million was transferred from the general contingency4 to (i) the offices of the directors ($0.8 million), and (ii) the Operations Evaluation Department ($0.6 million) to meet increases in staff-related costs.

3. The 2007 IAE budget of $332.9 million, including a general contingency of 1% and net of fee reimbursements from trust funds,5 was approved by the Board of Directors on 15 December 2006. The 2007 IAE budget is $20.0 million or 6.4% higher than the 2006 current estimate of $312.8 million. Additional resources for 2007 include an increase of 12 additional professional staff to meet requirements associated with the implementation of the medium term strategy II (MTS II)6 and other policies and initiatives adopted in 2005–2006. In addition, 17 national officers and 13 administrative staff positions will be added in 2007. These new positions are all in resident missions to meet the growing workload in the resident missions as

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2 Actual saving is $13.432 million.
3 Lower utilizations were identified in: (i) salary-related costs due to lower than projected staff years and termination pay; (ii) staff benefits due to lower than projected costs of the group medical insurance plan and life insurance premiums, rental subsidies and education grants; and (iii) staff development.
4 Starting with the 2005 budget, the Board of Directors budget category has included three subcategories: offices of the directors, accountability mechanism, and operations evaluation. As the budget for each of these subcategories is separate, any overrun in a subcategory will have to be funded from the general contingency.
5 In 2007, it is estimated that these reimbursements from trust funds of multilateral and bilateral institutions amounted to $4.1 million.
Budget for 2007

a result of the delegation of project administration and country and regional strategy formulation. Real budget growth in 2007 is modest, primarily because of the efficiency gains that are foreseen in various activities, particularly in support services. The growth will ensure adequate funding is available to support high-priority work programs and initiatives.

4. A comparison of the 2007 work program with the actual results for 2005 and 2006 is shown in Appendix 2.

5. Appendix 3 presents a distribution of the operational expenses by department or office, and Appendix 4 provides a comparison of operational expenses by program category for 2006 and 2007.

6. In addition to the IAE budget, the 2007 budget also includes an annual capital budget of $3.7 million, which is lower than 2006 budget by about $0.4 million, mainly (i) to fund cyclical capital expenditures for headquarters' facilities and information technology equipment, and (ii) to meet the capital replacement and acquisition requirements of field offices.

B. Asian Development Bank Institute

7. Actual program expenses of ADB Institute for 2006, as presented in Appendix 5, amounted to $2.7 million. This represents a saving of $1.3 million or 68% utilization of the 2006 budget. Lower than expected utilization of the research program budget in 2006 was primarily due to vacancies in the research division.

8. Actual IAE of ADB Institute for 2006 amounted to $8.1 million. This represents a saving of $2.1 million, or 79% utilization of the original budget. Savings were mainly because of lower expenditure on staff costs, business travel, and office equipment and non-utilization of the general contingency.

9. The ADB Institute budget for 2007 was approved by the ADB Board of Directors on 15 December 2006. The 2006 budget of $14.2 million (Appendix 5) comprises program expenses ($4.2 million) and IAE ($10.0 million).

10. The program expenses budget of $4.4 million comprises research ($2.3 million), capacity building and training ($1.9 million) and public affairs program activities ($0.2 million). The IAE budget of $10.0 million includes a 3% general contingency provision of $0.3 million.

11. The program expenses budget accounts for 31% of the total ADB Institute budget. The program operational and general support-related expenses such as staff costs, business travel, and staff consultants are included in the IAE. The budget for program expenses and program-related IAE represents 68% of the total budget of ADB Institute for 2007 (Appendix 6).
<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>2006 After Transfers a</th>
<th>Actual</th>
<th>2007 Budget</th>
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<tbody>
<tr>
<td>A. Board of Governors</td>
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<td>1,350</td>
<td>969</td>
<td>1,400</td>
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<td>B. Board of Directors</td>
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<td>20,892</td>
<td>20,614</td>
<td>21,499</td>
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<td>12,647</td>
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<td>Accountability Mechanism</td>
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<td>1,648</td>
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<td>Operations Evaluation</td>
<td>5,922</td>
<td>6,488</td>
<td>6,488</td>
<td>6,830</td>
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<td>C. Operational Expenses</td>
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<td>227,892</td>
<td>250,509</td>
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<td>Staff Development</td>
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<td>3,270</td>
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<td>Relocation</td>
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<td>Consultants</td>
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<td>Business Travel</td>
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<td>19,930</td>
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<td>Representation</td>
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<td>D. Administrative Expenses</td>
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<td>916</td>
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<td>950</td>
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<td>Miscellaneous</td>
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<td>533</td>
<td>615</td>
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<td>E. Total Before General Contingency</td>
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<td>F. General Contingency</td>
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<td>G. Fee Reimbursements from Trust Funds</td>
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<td>(3,818)</td>
<td>(3,907)c</td>
<td>(4,076)</td>
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<tr>
<td>Total</td>
<td>312,897</td>
<td>312,897</td>
<td>299,376</td>
<td>332,864</td>
</tr>
</tbody>
</table>

- = 0 or not applicable, ( ) = negative.

a Transfers were made between budget items without exceeding the original amount of each category. An amount of $1,352,000 was transferred from the general contingency to meet overruns in the budget category of Board of Directors: offices of the directors ($786,000) and operations evaluation ($566,000).

b Excludes the following items reconciling with financial statements in compliance with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay ($2,364,000); (ii) accumulated compensated absences ($640,000), and accrued resettlement or repatriation allowances ($1,691,000); (iii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs ($18,376,000) and postretirement medical benefits ($32,491,000); (iv) expenses related to the enhanced separation program ($6,711,000); and (v) adjustments related to the Afghanistan Resident Mission Guest House ($68,000). Total administrative expenses, as shown in the financial statements, amounted to $347,514,000. This amount, after deducting $1,178,000 directly charged to Japan Special Fund ($1,098,000) and Japan Scholarship Program ($80,000), has been distributed as follows: OCR - $127,669,000 (Ref. OCR-2) net of $28,434,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses; ADF - $190,233,000 (Ref. ADF-2).

c This amount ($3,907,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.
### Appendix 2

**ASIAN DEVELOPMENT BANK**

**COMPARISON OF 2007 PROGRAM WITH ACTUAL RESULTS IN 2005 AND 2006**

<table>
<thead>
<tr>
<th>Item</th>
<th>2005 Actual</th>
<th>2006 Program Estimate</th>
<th>2006 Actual</th>
<th>2007 Program/ Budget</th>
</tr>
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<tr>
<td><strong>A. Key Outputs</strong></td>
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<td><strong>1. Investment Operations</strong></td>
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<tr>
<td>Portfolio Management</td>
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<tr>
<td>Public Sector Projects (number)</td>
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<td>435</td>
<td>446</td>
<td>436</td>
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<tr>
<td>Private Sector Operations (number)</td>
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<td>122</td>
<td>135</td>
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<td>3,762.9</td>
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<td>1,278.8</td>
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<tr>
<td>Number of Approvals</td>
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<td>Regular Program</td>
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<tr>
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<td>15</td>
<td>18</td>
<td>14</td>
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<tr>
<td>(e.g., JFICT, and JFPR)</td>
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<tr>
<td>Amount of Approvals ($ million)</td>
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<tr>
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<td>(e.g., JFICT, and JFPR)</td>
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<tr>
<td>Number of Approvals</td>
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<td>928</td>
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<td>907</td>
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<td>Total New TA Approvals (number)</td>
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<td>246</td>
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<td>Number of PPTAs</td>
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<td>Amount ($ million)</td>
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<td>60.9</td>
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### Budget for 2007

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<th>2006 Actual</th>
<th>2007 Program/Budget</th>
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<td>Number of ADTAs</td>
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<td>Country (number)</td>
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<td>23</td>
<td>26</td>
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<td><strong>4. Country and Regional Strategies</strong></td>
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<td>Country Partnership Strategy</td>
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<td><strong>C. Resources</strong></td>
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<td>Authorized Staff Positions</td>
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<td>450</td>
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<td>($ million)</td>
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<tr>
<td><strong>D. Net Income ($ million)</strong></td>
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<td>463.6</td>
<td>701.4</td>
<td>457.6</td>
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<td>Asian Development Fundh</td>
<td>234.6</td>
<td>270.3</td>
<td>264.1</td>
<td>224.2</td>
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</tbody>
</table>

- = 0 or not available/applicable, tbd = to be determined.

ADF = Asian Development Fund, ADTA = advisory technical assistance, CAPE = country assistance program evaluation, DVA = direct value added, GEF = Global Environmental Fund, IEI = innovation and efficiency initiative, JFICT = Japan Fund for Information and Communications Technology, JFPR = Japan Fund for Poverty Reduction, MFF = multitranche financing facility, OCR = ordinary capital resources, PPTA = project preparatory technical assistance, RETA = regional technical assistance, TA = technical assistance.

Notes:
- Estimates and projections as of October 2006. Some 2006 projects may be shifted to early 2007.
- 2007 program is not included in the WPBF (2007–2009). Diinclude facilities to two state-owned enterprises without government guarantees. eETSW focusing on countries not region and not funded under TAs. For 2006 actual, figures cover only 6 Operations Departments and RSDD, ERD, and OWEI. RetSW focusing on regions and not funded under TAs. gExcluding the Office of the Compliance Review Panel, Operations Evaluation Department, Directors’ Advisors, and support staff of the Board of Directors. hExcludes the impact of grants that were introduced in ADF IX (2005–2008).
### ASIAN DEVELOPMENT BANK
#### 2006 BUDGET
##### DISTRIBUTION OF OPERATIONAL EXPENSES BY DEPARTMENT/OFFICE
($’000)

<table>
<thead>
<tr>
<th>Department/Office</th>
<th>2006 Actual</th>
<th>% of Total</th>
<th>2007 Budget</th>
<th>% Of Total</th>
</tr>
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<td>29,671</td>
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Note: Figures may not add to totals due to rounding.
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<th>2006 Actual(^a)</th>
<th>% of Total</th>
<th>2007 Budget(^b)</th>
<th>% of Total</th>
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<tr>
<td>Direct Operational Support</td>
<td>21,146</td>
<td>9.3</td>
<td>23,427</td>
<td>9.4</td>
</tr>
<tr>
<td>Operations Overhead</td>
<td>30,567</td>
<td>13.4</td>
<td>33,760</td>
<td>13.5</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td>20,943</td>
<td>9.2</td>
<td>22,724</td>
<td>9.1</td>
</tr>
<tr>
<td>Support Services</td>
<td>35,725</td>
<td>15.7</td>
<td>38,272</td>
<td>15.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>227,892</strong></td>
<td><strong>100.0</strong></td>
<td><strong>250,509</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Note: Figures may not add to totals because of rounding.

\(^a\) Comprises staff costs, computed based on staff time estimates provided by departments/offices, and other operational expenses.

\(^b\) Indicative estimate.
### Budget for 2007

#### Appendix 5

**ASIAN DEVELOPMENT BANK INSTITUTE**  
**COMPARISON OF 2007 BUDGET WITH 2006 BUDGET AND ACTUAL RESULTS**  
($’000)

<table>
<thead>
<tr>
<th>Item</th>
<th>2006 Budget</th>
<th>2006 Actual</th>
<th>2007 Budget</th>
<th>Percent Increase/Decrease (B/A)</th>
<th>(C/A)</th>
<th>(C/B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Program Expenses</td>
<td>3,950</td>
<td>2,690</td>
<td>4,250</td>
<td>(32)</td>
<td>8</td>
<td>58</td>
</tr>
<tr>
<td>Research</td>
<td>2,350</td>
<td>1,194</td>
<td>2,350</td>
<td>(49)</td>
<td>–</td>
<td>97</td>
</tr>
<tr>
<td>Capacity Building/Training</td>
<td>1,600</td>
<td>1,496</td>
<td>1,900</td>
<td>(7)</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>II. Internal Administrative Expenses</td>
<td>10,222</td>
<td>8,114</td>
<td>9,992</td>
<td>(21)</td>
<td>(2)</td>
<td>23</td>
</tr>
<tr>
<td>Advisory Council</td>
<td>76</td>
<td>74</td>
<td>86</td>
<td>(3)</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Staff Costs</td>
<td>4,934</td>
<td>3,885</td>
<td>4,979</td>
<td>(21)</td>
<td>1</td>
<td>28</td>
</tr>
<tr>
<td>Staff Consultants</td>
<td>64</td>
<td>16</td>
<td>59</td>
<td>(75)</td>
<td>(8)</td>
<td>269</td>
</tr>
<tr>
<td>Business Travel</td>
<td>300</td>
<td>155</td>
<td>256</td>
<td>(48)</td>
<td>(15)</td>
<td>65</td>
</tr>
<tr>
<td>Representation</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>(80)</td>
<td>–</td>
<td>400</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>4,545</td>
<td>3,983</td>
<td>4,316</td>
<td>(12)</td>
<td>(5)</td>
<td>8</td>
</tr>
<tr>
<td>Office occupancy</td>
<td>3,295</td>
<td>3,012</td>
<td>3,072</td>
<td>(9)</td>
<td>(7)</td>
<td>2</td>
</tr>
<tr>
<td>Depreciation</td>
<td>257</td>
<td>277</td>
<td>143</td>
<td>8</td>
<td>(44)</td>
<td>(48)</td>
</tr>
<tr>
<td>All Others</td>
<td>993</td>
<td>694</td>
<td>1,101</td>
<td>(30)</td>
<td>11</td>
<td>59</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>529</td>
<td>436</td>
<td>610</td>
<td>(18)</td>
<td>15</td>
<td>40</td>
</tr>
<tr>
<td>Contractual Service</td>
<td>211</td>
<td>131</td>
<td>248</td>
<td>(38)</td>
<td>18</td>
<td>89</td>
</tr>
<tr>
<td>Library</td>
<td>120</td>
<td>37</td>
<td>120</td>
<td>(69)</td>
<td>–</td>
<td>224</td>
</tr>
<tr>
<td>Communication</td>
<td>79</td>
<td>51</td>
<td>72</td>
<td>(35)</td>
<td>(9)</td>
<td>41</td>
</tr>
<tr>
<td>General Contingency</td>
<td>298</td>
<td>0</td>
<td>291</td>
<td>(100)</td>
<td>(2)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,172</td>
<td>10,804</td>
<td>14,242</td>
<td>(24)</td>
<td>0</td>
<td>32</td>
</tr>
</tbody>
</table>

= 0 or not applicable.  

Note: Figures may not add to totals because of rounding.
## ASIAN DEVELOPMENT BANK INSTITUTE
### 2007 BUDGET
### DISTRIBUTION OF EXPENSES BY PROGRAM
($’000)

<table>
<thead>
<tr>
<th></th>
<th>Capacity Research</th>
<th>Administration, Building &amp; Training</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Program Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,350</td>
<td>1,900</td>
<td>4,400</td>
<td>31</td>
</tr>
<tr>
<td><strong>B. Program-Related Internal Administrative Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Support</td>
<td>1,695</td>
<td>1,524</td>
<td>5,299</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>1,695</td>
<td>1,524</td>
<td>3,219</td>
<td>23</td>
</tr>
<tr>
<td>Business Travel</td>
<td>0</td>
<td>100</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>General Support</td>
<td></td>
<td>2,080</td>
<td>2,080</td>
<td>14</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>1,595</td>
<td>1,424</td>
<td>3,019</td>
<td></td>
</tr>
<tr>
<td>Staff Consultants</td>
<td>1,595</td>
<td>1,424</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Business Travel</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Subtotal (A+B)</td>
<td>4,045</td>
<td>3,424</td>
<td>9,699</td>
<td>68</td>
</tr>
<tr>
<td><strong>C. Other Internal Administrative Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,543</td>
<td>4,543</td>
<td>9,086</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,242</td>
<td>14,242</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

\* = 0 or not applicable.

\* Public affairs program activities of Asian development journalism.
\* Excluding operational and general support.
\* Total program expense is $7.5 million ($4.1 million for research and and $3.4 million for capacity building and training).
RESOURCES OF ADB

REPORT OF THE BOARD OF DIRECTORS

1. In May 2000, the Board of Governors of the Asian Development Bank (ADB) adopted Resolution No. 270, requesting the Board of Directors to study ADB’s resource requirements and to report its findings to the Board of Governors for its consideration. Since 2000, an annual report has been submitted to the Board of Governors on the resource position of ADB’s ordinary operations.1

2. In March 2007, Management submitted a review of ADB’s resource position to the Board of Directors. The review indicated that ADB’s lending headroom for the next 3 years is adequate to meet the planned level of lending within the indicated range of operational capabilities and to absorb plausible capital erosion caused by a certain degree of unfavorable exchange rate movements or unexpected needs.

3. Since the lending headroom is sufficient for ordinary capital resources to meet operational needs for 2007–2009, consideration of the timing and size of the next general capital increase could be reassessed in 2008.

REVIEW OF RULES AND REGULATIONS

REPORT OF THE BOARD OF DIRECTORS

(1) AMENDMENTS TO THE STATUTE OF THE ADB ADMINISTRATIVE TRIBUNAL

On January 30, 2006, the Board of Directors, through DOC.R2-06, approved the amendments to the Statute of ADB Administrative Tribunal in order to strengthen the provisions of the Statute regarding the independence of the Tribunal and to align the Statute with best international practices. Major amendments include (1) the eligibility criteria for appointment to the Tribunal, (2) reference to the Committee on Administrative Tribunal Matters, (3) reappointment of members of the Tribunal, (4) actual or potential conflict of interest of a Tribunal member and independence of the Tribunal, and (5) payment of reasonable cost to the applicant, or, in certain cases, payment of compensation by the applicant to ADB (Appendix 1).

(2) AMENDMENTS TO THE PROCUREMENT GUIDELINES

On 6 February 2006, the Procurement Guidelines were revised through DOC.R11-06, to streamline procurement processes, harmonize with regulations of other multilateral institutions, enhance transparency, and allow greater flexibility and innovation in the procurement procedures of borrowers. The motivation for these changes emanate from internal initiatives such as the innovation and efficiency initiative, middle-income country and ordinary capital resource country partnership framework, recent policies related to disaster and emergency assistance, and anti-corruption.

The guidelines were further amended on 8 September 2006 through DOC.R179-06 to incorporate the harmonized definitions of corrupt and fraudulent practices. (Appendix 2).

(3) AMENDMENTS TO THE GUIDELINES ON THE USE OF CONSULTANTS BY THE ASIAN DEVELOPMENT BANK AND ITS BORROWERS

On 6 February 2006 the Board of Directors approved through DOC.R12-06, the amendments to the Guidelines on the Use of Consultants by the Asian Development Bank and Its Borrowers which provides for new selection and contracting methods and contracting arrangements which are transparent.
and fair. The updating was prompted by the need to harmonize with other development partners, particularly multilateral development banks, and to adopt new technology.

The Guidelines were further amended on 8 September 2006 through DOC. R179-06, to incorporate the harmonized definitions of corrupt and fraudulent practices. (Appendix 3).

(4) ADOPTION OF THE CODE OF CONDUCT AND THE ETHICS COMMITTEE AND PROCEDURES FOR DIRECTORS, ALTERNATE DIRECTORS AND THE PRESIDENT

On 22 September 2006, the Board of Directors adopted through DOC. R184-06, the Code of Conduct and the Ethics Committee and Procedures. The Code of Conduct is binding on Directors, Alternate Directors and the President and supersedes the Code of Conduct which had been adopted by the Board of Directors on 19 April 2001, and contained voluntary guidelines that were not formally binding. The Ethics Committee and Procedures provides for the implementation of the Code of Conduct.
STATUTE OF THE ADMINISTRATIVE TRIBUNAL
OF THE ASIAN DEVELOPMENT BANK

ARTICLE I

There is hereby established an Administrative Tribunal (hereinafter referred to as the “Tribunal”) for the Asian Development Bank (hereinafter referred to as the “Bank”).

ARTICLE II

1. The Tribunal shall hear and pass judgment upon any application by which an individual member of the staff of the Bank alleges nonobservance of the contract of employment or terms of appointment of such staff member. The expressions “contract of employment” and “terms of appointment” include all pertinent regulations and rules in force at the time of alleged nonobservance including the provisions of the Staff Retirement Plan and the benefit plans provided by the Bank to the staff.

2. For the purpose of this statute, the expression “member of the staff” means any current or former member of the Bank staff who holds or has held a regular appointment or a fixed-term appointment of two years or more, any person who is entitled to claim upon a right of a member of the staff as a personal representative or by reason of the staff member’s death, and any person designated or otherwise entitled to receive a payment under any provision of the Staff Retirement Plan or any staff benefit plan provided by the Bank.

3. No such application shall be admissible, except upon exceptional circumstances as decided by the Tribunal, unless

   (a) the applicant has exhausted all other remedies available within the Bank, except if the applicant and the President of the Bank have agreed to submit the application directly to the Tribunal; and

   (b) the application is filed within ninety days after the latest of the following:

      (i) the occurrence of the event giving rise to the application;
(ii) receipt of notice, after the applicant has exhausted all other remedies available within the Bank, that the relief asked for or recommended will not be granted; or

(iii) receipt of notice that the relief asked for or recommended will be granted, if such relief shall not have been granted within thirty days after receipt of such notice.

ARTICLE III

Any issue concerning the competence or jurisdiction of the Tribunal shall be settled by the Tribunal in accordance with this Statute.

ARTICLE IV

1. The Tribunal shall be composed of five members, all of whom shall be nationals of member countries of the Bank, but no two of whom shall be nationals of the same member country. The members of the Tribunal shall be persons of high moral character and must possess the qualifications required for appointment to high judicial office or be jurists of recognized competence in relevant fields such as employment relations, international civil service and international organization administration. A Tribunal member shall not be a present or former staff member, President, Vice-President, Director or Alternate Director of the Bank. It shall be a condition of the appointment of a Tribunal member that the person appointed shall not be eligible to become a staff member of the Bank for a period of five years after the expiry of such appointment.

2. The members of the Tribunal shall be appointed by the Board of Directors from a list of candidates to be drawn up by the President of the Bank after appropriate consultation. For that purpose, the President shall appoint an advisory committee (“Committee on Administrative Tribunal Matters” or “Committee”) composed of at least five members, including the General Counsel, The Secretary, the Chair of the Staff Council, and such other members as may be appointed by the President. The Committee may include members who do not have any affiliation with ADB. The General Counsel shall act as Chair of the Committee.

3. The members of the Tribunal shall be appointed for a period of three years; they may be reappointed by the Board of Directors, upon the recommendation of the President, for a maximum of two further terms of three years each. A member appointed to replace a member whose term of office has not expired shall hold office for the remainder of the predecessor’s term.
4. Any member who has an actual or potential conflict of interest in a case shall recuse himself or herself.

5. A member of the Tribunal may be removed from office by a majority decision of the Board of Directors upon the unanimous recommendation of the other members that he or she is unsuited for further service.

6. In rendering their judgments, the members of the Tribunal shall be completely independent and shall not receive any instructions from any person or entity or be subject to any constraint in connection therewith.

ARTICLE V

1. The members of the Tribunal shall elect a President and a Vice-President from among themselves.

2. The President of the Bank shall make the administrative arrangements necessary for the functioning of the Tribunal, including the appointment of a suitably qualified lawyer as Executive Secretary who, in the discharge of duties, shall be responsible only to the Tribunal.

3. The expenses of the Tribunal shall be borne by the Bank.

4. The Tribunal shall form panels, each consisting of three of its members, for dealing with all cases except for the instances provided in paragraph 5 of this Article. The decisions of such panels shall be deemed to be taken by the Tribunal. If a member of a panel has recused himself or herself, has been removed from office, or for any reason is unable to hear a case, another member shall be appointed to the panel.

5. The Tribunal shall form a panel consisting of all of its members when dealing with (1) certain cases which, in the determination of the Tribunal, warrant a hearing by such a panel; and (2) any cases where any party to such a case makes a written request and gives reasons for the request that the case be heard by such a panel, and where such request is agreed to by the Tribunal.

ARTICLE VI

1. Subject to the provisions of this statute, the Tribunal shall establish and publish its rules of procedure.

2. The rules shall include provisions concerning

(a) election of the President and the Vice-President;

(b) constitution of the panels provided for in paragraph 4 of Article V;
(c) presentation of applications and the procedure to be followed;

(d) intervention by persons to whom the Tribunal is open under paragraph 2 of Article II whose rights may be affected by the judgment;

(e) hearing, for purposes of information, of persons to whom the Tribunal is open under paragraph 2 of Article II; and

(f) other matters relating to the functioning of the Tribunal.

ARTICLE VII

The Tribunal shall hold sessions at dates and in places to be fixed in accordance with its procedural rules, taking into account the need for the efficient and cost-effective conduct of the proceedings as well as for providing the opportunity for full and fair hearings.

ARTICLE VIII

The Tribunal shall decide in each case whether oral proceedings are warranted. Oral proceedings shall be held in public, unless the Tribunal decides that exceptional circumstances require that they be held in private.

ARTICLE IX

1. All decisions of the Tribunal shall be taken by majority vote and its judgments in each case shall be final and binding. The vote of one or more panel members dissenting from the majority vote, or dissenting as to the grounds upon which the judgment was based or any of its conclusions, shall, together with the reasons for dissent, be separately attached to the judgment itself.

2. Each judgment shall state the reasons on which it is based.

ARTICLE X

1. If the Tribunal finds that the application is well-founded, it shall order the rescission of the decision contested or the specific performance of the obligation invoked. At the same time the Tribunal shall fix the amount of compensation to be paid to the applicant for the injury sustained should the President of the Bank, within thirty days of the notification of the judgment, decide, in the interest of the Bank, that the applicant shall be compensated without further action being taken in the case; provided that such compensation may not exceed the equivalent of three years' basic salary of the applicant.
The Tribunal may, however, in exceptional circumstances, when it considers it justified, order the payment of a higher compensation. A statement of the specific reasons for such an order shall be made.

2. If the Tribunal concludes that an application is well-founded in whole or in part, it may order that the reasonable costs incurred by the applicant in the case, including the cost of applicant’s counsel, be totally or partially borne by the Bank, taking into account the nature and complexity of the case, the nature and quality of the work performed, and the amount of the fees in relation to prevailing rates.

3. Should the Tribunal find that a procedure prescribed in the rules of the Bank has not been observed, it may, at the request of the President of the Bank and prior to the determination of the merits, order the case to be remanded for institution or correction of the required procedure.

4. In all applicable cases, compensation and reasonable costs fixed by the Tribunal pursuant to paragraphs 1 and 2 of this Article shall be paid by the Bank.

5. The filing of an application shall not have the effect of suspending execution of the decision contested.

6. The Tribunal may order that reasonable compensation be made by the applicant to the Bank for all or part of the cost of defending the case, if it finds that:

   (a) the application was manifestly without foundation either in fact or under existing law, unless the applicant demonstrates that the application was based on a good faith argument for an extension, modification, or reversal of existing law; or

   (b) the applicant intended to delay the resolution of the case or to harass the Bank or any of its officers or employees.

The amount awarded by the Tribunal shall be collected by way of deductions from payments owed by the Bank to the applicant or otherwise, as determined by the President of the Bank. For the purpose of this paragraph, payments due to the applicant under the Staff Retirement Plan shall not be deemed to be payments owed by the Bank to the applicant.

ARTICLE XI

1. A party to a case in which a judgment has been delivered may, in the event of the discovery of a fact which by its nature might have had a decisive influence on the judgment of the Tribunal and which at the time the judgment was delivered was unknown both to the Tribunal and to that party, request the Tribunal, within a period of
six months after that party acquired knowledge of such fact, to revise
the judgment.
2. The request shall contain the information necessary to show that
the conditions laid down in paragraph 1 of this Article have been
complied with. It shall be accompanied by the original or a copy of all
supporting documents.

ARTICLE XII

The original copy of each judgment shall be filed in the archives of the Bank.
A copy of the judgment shall be delivered to each of the parties concerned.
Copies shall also be made available on request to interested persons.

ARTICLE XIII

Nothing in this statute shall be deemed or construed to limit or modify the
powers conferred on the Board of Governors or the Board of Directors under
the Agreement Establishing the Asian Development Bank.

ARTICLE XIV

Notwithstanding Article II, paragraph 3 of this statute, the Tribunal shall
be competent to hear any application concerning a cause of complaint which
arose subsequent to 1 January 1991, provided, however, that the application is
filed within ninety days after the entry into force of this statute.

ARTICLE XV

This statute may be amended by the Board of Directors of the Bank.
PROCUREMENT GUIDELINES

I. INTRODUCTION

Purpose

1.1 The purpose of these Guidelines is to inform those carrying out a project that is financed in whole or in part by a loan from the Asian Development Bank (ADB), ADB-financed grant, or ADB-administered funds, of the policies that govern the procurement of goods, works, and services (other than consultant services) required for the project. The financing agreement governs the legal relationships between the borrower and ADB, and the Guidelines are made applicable to procurement of goods and works for the project, as provided in the agreement. The rights and obligations of the borrower and the providers of goods and works for the project are governed by the bidding documents, and by the contracts signed by the borrower with the providers of goods and works, and not by these Guidelines or the financing agreements. No party other than the parties to the financing agreement shall derive any rights therefrom or have any claim to the proceeds of the financing.

General Considerations

1.2 The responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the borrower. ADB, for its part, has the obligation to ensure that the proceeds of its financing are used with due attention to considerations of economy and efficiency. While in practice the specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case, five basic principles generally guide ADB requirements:

(a) subject to the qualification stated in paragraph 2.11 with regard to procurement under loans or grants from Special Funds resources, the proceeds of ADB financing can be used only for procurement of goods and works supplied from, and produced in, member countries of ADB, except in any case in which the Board of Directors determines otherwise under Article 14(ix) of the Articles of Agreement of ADB;

(b) the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved;
(c) ADB’s interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods and works financed by ADB;

(d) ADB’s interest in encouraging the development of domestic contracting and manufacturing industries in the country of the borrower; and

(e) the importance of transparency in the procurement process.

1.3 Open competition is the basis for efficient public procurement. Borrowers shall select the most appropriate method for the specific procurement. In most cases, international competitive bidding (ICB), properly administered, and with the allowance for preferences for domestically manufactured goods and, where appropriate, for domestic contractors for works under prescribed conditions is the most appropriate method. In most cases, therefore, ADB requires its borrowers to obtain goods, works and services through ICB open to eligible suppliers and contractors. Section II of these Guidelines describes the procedures for ICB.

1.4 Where ICB is not the most appropriate method of procurement, other methods of procurement may be used. Section III describes these other methods of procurement and the circumstances under which their application would be more appropriate. The particular methods that may be followed for procurement under a given project are provided for in the financing agreement. The specific contracts to be financed under the project, and their method of procurement, consistent with the financing agreement, are specified in the procurement plan as indicated in paragraph 1.16 of these Guidelines.

Applicability of Guidelines

1.5 The procedures outlined in these Guidelines apply to all contracts for goods and works financed in whole or in part by ADB. For the procurement of those contracts for goods and works not financed by ADB, the borrower may adopt other procedures. In such cases ADB shall be satisfied that the procedures to be used will fulfill the borrower’s obligations to cause the project to be carried out diligently and efficiently, and that the goods and works to be procured:

(a) are of satisfactory quality and are compatible with the balance of the project;

(b) will be delivered or completed in timely fashion; and

(c) are priced so as not to affect adversely the economic and financial viability of the project.
Eligibility

1.6 To foster competition ADB permits bidders from all eligible member countries to offer goods, works, and services for ADB-financed projects. Any conditions for participation shall be limited to those that are essential to ensure the bidder’s capability to fulfill the contract in question.

1.7 In connection with any contract to be financed in whole or in part by ADB, ADB does not permit a borrower to deny the participation of a bidder for reasons unrelated to its capability and resources to successfully perform the contract; nor does it permit a borrower to disqualify any bidder for such reasons. Consequently, borrowers should carry out due diligence on the technical and financial qualifications of bidders to be assured of their capabilities in relation to the specific contract.

1.8 As exceptions to the foregoing:

(a) Firms of a country or goods manufactured in a country may be excluded if, by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the borrower’s country prohibits any import of goods from, or payments to, a particular country, person, or entity. Where the borrower’s country prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded.

(b) A firm which has been engaged by the borrower to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods, works, or services resulting from or directly related to the firm’s consulting services for such preparation or implementation. This provision does not apply to the various firms (consultants, contractors, or suppliers) which together are performing the contractor’s obligations under a turnkey or design and build contract.

(c) Government-owned enterprises in the borrower’s country may participate as a bidder only if they can establish that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the borrower or sub-borrower.

(d) A firm or individual declared ineligible by ADB in accordance with subparagraph (d) of paragraph 1.14 of these Guidelines shall be ineligible to be awarded an ADB-financed contract during the period of time determined by ADB.
Advance Contracting and Retroactive Financing

1.9 ADB encourages borrowers to proceed with the initial steps of procurement before signing the related financing agreement. In such cases, the procurement procedures, including advertising, shall be in accordance with the Guidelines in order for the eventual contracts to be eligible for ADB financing, and ADB shall review the process used by the borrower. A borrower undertakes such advance contracting at its own risk, and any concurrence by ADB with the procedures, documentation, or proposal for award does not commit ADB to finance the project in question. If the contract is signed, reimbursement by ADB of any payments made by the borrower under the contract prior to signing the financing agreement is referred to as retroactive financing and is only permitted within the limits specified in the financing agreement.

Joint Ventures

1.10 Any firm may bid independently or in joint venture confirming joint and several liability, either with domestic firms and/or with foreign firms, but ADB does not accept conditions of bidding which require mandatory joint ventures or other forms of mandatory association between firms.

ADB Review

1.11 ADB reviews the borrower’s procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with the agreed procedures. These review procedures are described in Appendix 1. The procurement plan approved by ADB shall specify the extent to which these review procedures shall apply in respect of the different categories of goods and works to be financed, in whole or in part by ADB.

Misprocurement

1.12 ADB finances expenditures for goods and works that are procured in accordance with the provisions of the financing agreement and these Guidelines. If procurement is not carried out as agreed, ADB will declare misprocurement, and normally cancel that portion of the financing allocated to the goods and works that have been misprocured. In appropriate cases, ADB may permit rebidding after declaring misprocurement. ADB may, in addition, exercise other remedies provided for under the financing agreement. Even if a contract is awarded after obtaining a “no objection” from ADB, ADB reserves the right to declare misprocurement if it concludes that the “no objection” was issued on the basis of incomplete, inaccurate, or misleading information or the terms and conditions of the contract had been substantially modified without ADB’s approval.
References to ADB

1.13 When the contract is to be financed wholly or partly by ADB, reference shall be made to ADB in the bidding documents along the lines of the following language:

“... (name of borrower) ... has received a loan from the (ordinary capital resources or Special Funds resources) of the Asian Development Bank toward the cost of (name of project), and it is intended that the proceeds of this loan will be applied to payments under the contract (contracts) for which this invitation for bids is issued. The terms and conditions of the contract (contracts) and payments therefore by the Asian Development Bank will be subject in all respects to the terms and conditions of the Loan Agreement, including the Procurement Guidelines. Except as ADB may specifically otherwise agree, no party other than (name of borrower) shall derive any rights from the Loan Agreement or have any claim to the loan proceeds.”

Fraud and Corruption

1.14 ADB’s anticorruption policy requires borrowers (including beneficiaries of ADB financed activity), as well as bidders, suppliers, and contractors under ADB-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, in the context of these Guidelines, ADB:

(a) defines, for the purposes of this provision, the terms set forth below as follows:

(i) “corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

(ii) “fraudulent practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

(iii) “coercive practices” means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
(iv) “collusive practices” means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;

(b) will reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question;

(c) will cancel the portion of the financing allocated to a contract if it determines at any time that representatives of the borrower or of a beneficiary of ADB-financing engaged in corrupt, fraudulent, collusive, or coercive practices during the procurement or the execution of that contract, without the borrower having taken timely and appropriate action satisfactory to ADB to remedy the situation;

(d) will sanction a party or its successor, including declaring ineligible, either indefinitely or for a stated period of time, to participate in ADB-financed activities if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an ADB-financed contract;

and

(e) will have the right to require that a provision be included in bidding documents and in contracts financed by ADB, requiring bidders, suppliers and contractors to permit ADB or its representative to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by ADB.

1.15 (a) With the specific agreement of ADB, a beneficiary of ADB-financing may introduce an undertaking of the bidder to observe, in competing for and executing a contract, the country’s laws against fraud and corruption (including bribery), as listed in the bidding documents. ADB will accept the introduction of such undertaking at the request of the borrowing country, provided the arrangements governing such undertaking are satisfactory to ADB.

(b) When the contract is to be financed wholly or partly by ADB, the contract documents shall include an undertaking by the contractor that no fees, gratuities, rebates, gifts, commissions, or other payments, except those shown in the bid, have been given or received in connection with the procurement process or in contract execution.
(c) ADB considers a conflict of interest to be a situation in which a party has interests that could improperly influence that party’s performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations, and that such conflict of interest may contribute to or constitute a prohibited practice under the anticorruption policy. In pursuance of the anticorruption policy’s requirement that borrowers (including beneficiaries of ADB-financed activity), as well as bidders, suppliers, and contractors under ADB-financed contracts, observe the highest standard of ethics, ADB will take appropriate actions to manage such conflicts of interest or may reject a proposal for award if it determines that a conflict of interest has flawed the integrity of any procurement process.

Procurement Plan

1.16 As part of the preparation of the project the borrower shall prepare and, before loan negotiations, furnish to ADB for its approval, a procurement plan acceptable to ADB setting forth: (a) the particular contracts for the goods, works, and/or services required to carry out the project during the initial period of at least 18 months; (b) the proposed methods for procurement of such contracts that are permitted under the financing agreement, and (c) the related ADB review procedures. The borrower shall update the procurement plan annually or as needed throughout the duration of the project. The borrower shall implement the procurement plan in the manner in which it has been approved by ADB.

II. INTERNATIONAL COMPETITIVE BIDDING

A. General

Introduction

2.1 The objective of international competitive bidding (ICB), as described in these Guidelines, is to provide all eligible prospective bidders with timely and adequate notification of a borrower’s requirements and an equal opportunity to bid for the required goods and works.

Type and Size of Contracts

2.2 The bidding documents shall clearly state the type of contract to be entered into and contain the proposed contract provisions appropriate therefor. The most common types of contracts provide for payments on the basis of a lump sum or unit prices, or combinations thereof.
2.3 The size and scope of individual contracts will depend on the magnitude, nature, and location of the project. For projects requiring a variety of goods and works, separate contracts generally are awarded for the supply and/or installation of different items of equipment and plant and for the works.

2.4 For a project requiring similar but separate items of equipment or works, bids may be invited under alternative contract options that would attract the interest of both small and large firms, which could be allowed, at their option, to bid for individual contracts (slices) or for a group of similar contracts (package). All bids and combinations of bids shall be received by the same deadline and opened and evaluated simultaneously so as to determine the bid or combination of bids offering the lowest evaluated cost to the borrower.

2.5 In certain cases ADB may accept or require a turnkey contract under which the design and engineering, the supply and installation of equipment, and the construction of a complete facility or works are provided under one contract. Alternatively, the borrower may remain responsible for the design and engineering, and invite bids for a single responsibility contract for the supply and installation of all goods and works required for the project component. Design and build, and management contracting contracts are also acceptable where appropriate.

Two-Stage Bidding

2.6 (a) In the case of turnkey contracts or contracts for large complex facilities or works of a special nature or complex information and communication technology, it may be undesirable or impractical to prepare complete technical specifications in advance. In such a case, a two-stage bidding procedure may be used, under which unpriced technical proposals are invited first. These are prepared on the basis of a conceptual design or performance specification, and are subject to technical as well as commercial clarifications and adjustments. The first stage technical proposal clarification is to be followed by issuance of amended bidding documents and the submission of final technical proposals and priced bids in the second stage.

(b) Two-envelope procedures, wherein bids with separate envelopes for technical and financial proposals are submitted simultaneously, may be used for the procurement of goods, works or turnkey contracts. The borrower has the option to use the two-envelope procedure with single-stage or two-stage bidding. In the single-stage, two-envelope procedure, the technical proposal is opened first and reviewed to determine responsiveness to the bidding documents. Only the financial proposals of bidders with responsive technical proposals are opened for evaluation and comparison. The financial proposals of bidders whose technical proposals are not responsive shall be returned unopened. In the two-stage, two-envelope procedure, bidders
are allowed to amend their technical proposals in order to ensure conformance to the same technical standards. Only the financial proposals, including supplementary price proposals, of bidders whose original or revised technical proposals are found conforming to the agreed technical standards, are opened for evaluation and comparison. The use of these procedures must be agreed upon by ADB and the borrower.

Notification and Advertising

2.7 Timely notification of bidding opportunities is essential in competitive bidding. For projects that include ICB the borrower is required to prepare and submit to ADB a draft general procurement notice. ADB will arrange for its publication. The notice shall contain information concerning the borrower (or prospective borrower), amount and purpose of the loan, scope of procurement under ICB, and the name, telephone number, email address (or fax number) and address of the borrower’s agency responsible for procurement and the address of the website where specific procurement notices will be posted. If known, the scheduled date for availability of prequalification or bidding documents should be indicated. Except in the case of advance contracting the related prequalification or bidding documents, as the case may be, shall not be released to the public earlier than the date of publication of the general procurement notice.

2.8 Invitations to prequalify or to bid, as the case may be, shall be advertised as specific procurement notices in ADB’s website as well as in (i) a newspaper of national circulation in the borrower’s country (at least in one English language newspaper, if available), or (ii) on an internationally known and freely accessible website in English. A copy of the invitation for bids shall be submitted to ADB for approval and for publication in ADB’s website in accordance with the provisions of the financing agreement.

Prequalification of Bidders

2.9 Prequalification may be necessary for large or complex works, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition, such as custom-designed equipment, industrial plant, specialized services, some complex information and technology contracts and contracts to be let under turnkey, design and build, or management contracting. This also ensures that invitations to bid are extended only to those who have adequate capabilities and resources. Prequalification shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their (a) experience and past performance on similar contracts, (b) capabilities with respect to construction or manufacturing facilities, and (c) financial position.
2.10 The invitation to prequalify for bidding on specific contracts or groups of similar contracts shall be advertised and notified as described in paragraphs 2.7 and 2.8 above. The scope of the contract and a clear statement of the requirements for qualification shall be sent to those who responded to the invitation. Generally, a minimum period of six weeks shall be allowed for the submission of prequalification applications. There shall be no limits on the number of bidders to be prequalified, and all found capable of performing the work satisfactorily in accordance with the approved prequalification criteria shall be prequalified and invited to submit bids. As soon as prequalification is completed, the bidding documents shall be made available to the prequalified prospective bidders. For prequalification for groups of contracts to be awarded over a period of time, a limit for the number or total value of awards to any one bidder may be made on the basis of the bidder’s resources. The list of prequalified firms in such instances shall be updated periodically. Verification of the information provided in the submission for prequalification shall be confirmed at the time of award of contract, and award may be denied to a bidder that is judged to no longer have the capability or resources to successfully perform the contract.

B. Bidding Documents

General

2.11 (a) Bidding documents shall state that payments from the proceeds of ADB loans or grants will be limited to goods produced in, and services supplied by, member countries of ADB, except in the case of loans or grants from Special Funds resources, where payments will be limited to goods produced in, and services supplied by, developed member countries that have contributed to such resources, and all developing member countries.

(b) It is essential that the bidding documents provide all the information necessary for bidders to prepare responsive bids. While the detail and complexity of these documents vary depending upon the kind of goods to be procured and the size of the contract, they shall normally include the following: invitation for bids; instructions to bidders; bidding forms; conditions of contract, both general and special; technical specifications; bill of quantities and drawings; schedule of prices; and necessary appendixes, pro forma bid securities and performance securities.

2.12 (a) Borrowers shall use the appropriate Standard Bidding Documents (SBDs) issued by ADB with minimum changes, acceptable to ADB, as necessary to address project specific conditions. Any such changes shall be introduced only through bid or contract data sheets,
or through special conditions of contract, and not by introducing changes in the standard wording of ADB’s SBDs. Where no relevant standard bidding documents have been issued, the borrower shall use other internationally recognized standard conditions of contract and contract forms acceptable to ADB.

(b) The borrower may use an electronic system to distribute bidding documents, provided that ADB is satisfied with its adequacy. If bidding documents are distributed electronically, the electronic system shall be secure to avoid modifications to the bidding documents and shall not restrict the access of bidders to the bidding documents. Bidding documents must be provided in print form to bidders who request them. A master copy of electronic documents shall be retained in print form, suitably authenticated by signature, stamp or other instrument acceptable to ADB.

Validity of Bids and Bid Security

2.13 Bidders shall be required to submit bids valid for a period specified in the bidding documents which shall be sufficient to enable the borrower to complete the comparison and evaluation of bids, review the recommendation of award with ADB (if prior review is required), and obtain all the necessary approvals so that the contract can be awarded within that period.

2.14 Borrowers have the option of requiring a bid security. When used, the bid security shall be in the amount and form specified in the bidding documents and shall remain valid for a period of four weeks beyond the validity period for the bids, in order to provide reasonable time for the borrower to act if the security is to be called. Bid security shall be released to unsuccessful bidders once the contract has been signed with the winning bidder. In place of a bid security, the borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for a period of time from being eligible for bidding in any contract with the borrower.

Language

2.15 Under the Articles of Agreement of ADB, the working language of ADB is English and therefore bidding and other relevant documents, including advertisements, shall be prepared in English. Where more than one language is used, the English version shall prevail.
Clarity of Bidding Documents

2.16 Bidding documents shall be so worded as to permit and encourage international competition and shall set forth clearly and precisely the work to be carried out, the location of the work, the goods to be supplied, the place of delivery or installation, the schedule for delivery or completion, minimum performance requirements, and the warranty and maintenance requirements, as well as any other pertinent terms and conditions. In addition, the bidding documents, where appropriate, shall define the tests, standards, and methods that will be employed to judge the conformity of equipment as delivered, or works as performed, with the specifications. Drawings shall be consistent with the text of the specifications, and an order of precedence between the two shall be specified.

2.17 The bidding documents shall specify any factors, in addition to price, which will be taken into account in evaluating bids, and how such factors will be quantified or otherwise evaluated. If bids based on alternative designs, materials, completion schedules, payment terms, etc., are permitted, conditions for their acceptability and the method of their evaluation shall be expressly stated.

2.18 All prospective bidders shall be provided the same information, and shall be assured of equal opportunities to obtain additional information on a timely basis. Borrowers shall provide reasonable access to project sites for visits by prospective bidders. For works or complex supply contracts, particularly for those requiring refurbishing existing works or equipment, a pre-bid conference may be arranged whereby potential bidders may meet with the borrower representatives to seek clarifications (in person or online). Minutes of the conference shall be provided to all prospective bidders with a copy to ADB. Any additional information, clarification, correction of errors, or modifications of bidding documents shall be sent to each recipient of the original bidding documents in sufficient time before the deadline for receipt of bids to enable bidders to take appropriate actions. If necessary, the deadline shall be extended. ADB shall receive a copy and be consulted for issuing a “no objection” when the contract is subject to prior review.

Standards

2.19 Standards and technical specifications quoted in bidding documents shall promote the broadest possible competition, while assuring the critical performance or other requirements for the goods and/or works under procurement. As far as possible, the borrower shall specify internationally accepted standards such as those issued by the International Standards Organization with which the equipment or materials or workmanship shall comply. Where such international standards are unavailable or are inappropriate, national standards may be specified. In all cases, the bidding documents shall
state that equipment, material, or workmanship meeting other standards, which must specify substantial equivalence, will also be accepted.

Use of Brand Names

2.20 Specifications shall be based on relevant characteristics and/or performance requirements. References to brand names, catalog numbers, or similar classifications shall be avoided. If it is necessary to quote a brand name or catalog number of a particular manufacturer to clarify an otherwise incomplete specification, the words “or equivalent” shall be added after such reference. The specification shall permit the acceptance of offers for goods which have similar characteristics and which provide performance at least substantially equivalent to those specified.

Pricing

2.21 Bids for goods shall be invited on the basis of CIF, or CIP for all goods offered from abroad, and EXW for locally available or manufactured or assembled goods, including those previously imported. Where inland transportation, installation, commissioning or other similar services are required to be performed by the bidder, as in the case of “supply and installation” contracts, the bidder shall be required to provide a separate quotation for these services.

2.22 In the case of turnkey contracts, the bidder shall be required to quote the price of the installed plant at site, including all costs for supply of equipment, marine and local transportation and insurance, installation and commissioning, as well as associated works and all other services included in the scope of contract such as design, maintenance and operation. Unless otherwise specified in the bidding documents, the turnkey price shall include all duties, taxes, and other levies.

2.23 Bidders for civil works contracts shall be required to quote unit prices or lump sum prices for the performance of the works, and such prices shall include all duties, taxes and other levies. Bidders shall be allowed to obtain all inputs (except for unskilled labor) from any eligible source so that they may offer the most competitive bids.

Price Adjustment

2.24 The bidding documents shall clearly indicate whether price adjustments are allowed in the event changes occur in major cost components of the contract such as labor, equipment, and materials, over which the contractor has no control. Price adjustment provisions are not necessary for simple supply contracts involving short delivery periods. However, for contracts with long delivery or completion periods (generally beyond 18 months), including major civil works contracts, price adjustment provisions shall be provided. For certain
type of equipment where normal commercial practice requires bidders to submit firm prices regardless of the delivery time, price adjustment provisions are not needed. Contracts which contain a large commodity component whose price may vary sharply in the short term shall contain a price adjustment clause that protects the borrower or contractor from losses in case of any abrupt changes in price.

2.25 The amount of price adjustment shall be based on changes in the cost of the major components of the contract. If used, the method of adjustment indicated in the bidding documents shall provide for adjustments calculated using a price adjustment formula or formulae. The comparison of bid prices shall be carried out on the basis of base price only.

Transportation and Insurance

2.26 Bidding documents shall permit suppliers and contractors to arrange transportation and insurance from any eligible source. Bidding documents shall state the types and terms of insurance to be provided by the bidder. The indemnity payable under transportation insurance shall be at least 110 percent of the contract amount in the currency of the contract or in a freely convertible currency to enable prompt replacement of lost or damaged goods. For works, a contractor’s All Risk form of policy usually shall be specified. For large projects with several contractors on a site, a “wrap-up” or total project insurance arrangement may be obtained by the borrower, in which case the borrower shall seek competition for such insurance.

2.27 As an exception, if a borrower wishes to reserve transportation and insurance for the import of goods to national companies or other designated sources, bidders shall be asked to quote FOB, FCA, CFR (named place), or CPT (named place of destination) prices in addition to the CIF or CIP (place of destination) price specified in paragraph 2.21. Selection of the lowest evaluated bid shall be on the basis of the CIF or CIP (place of destination) price, but the borrower may sign the contract on FOB, FCA, CFR, or CPT terms and make its own arrangement for transportation and/or insurance. Under such circumstances, the contract shall be limited to the FOB, FCA, CFR or CPT cost. If the borrower does not wish to obtain insurance coverage in the market, evidence shall be provided to ADB that resources are readily available for prompt payment in a freely convertible currency of the indemnities required to replace lost or damaged goods.

Currency Provisions

2.28 Bidding documents shall state the currency or currencies in which bidders are to state their prices, the procedure for conversion of prices expressed in different currencies into a single currency for the purpose of comparing bids, and the currencies in which the contract price will be paid. The following provisions (paragraphs 2.29–2.33) are intended to (a) ensure
that bidders have the opportunity to minimize any exchange risk with regard to the currency of bid and of payment, and hence may offer their best prices; (b) give bidders in countries with weak currencies the option to use a stronger currency and thus provide a firmer basis for their bid price; and (c) ensure fairness and transparency in the evaluation process.

Currency of Bid

2.29 Bidding documents shall state that the bidder may express the bid price in any currency. If the bidder wishes to express the bid price as a sum of amounts in different foreign currencies, they may do so, provided the price includes no more than three foreign currencies. Furthermore, the borrower may require bidders to state the portion of the bid price representing local costs incurred in the currency of the country of the borrower.

2.30 In bidding documents for works, the borrower may require bidders to state the bid price entirely in the local currency, along with the requirements for payments in up to three foreign currencies of their choice for expected inputs from outside the borrower’s country, expressed as a percentage of the bid price, together with the exchange rates used in such calculations.

Currency Conversion for Bid Comparison

2.31 The bid price is the sum of all payments in various currencies required by the bidder. For the purpose of comparing prices, bid prices shall be converted to a single currency selected by the borrower (local currency or fully convertible foreign currency) and stated in the bidding documents. The borrower shall make this conversion by using the selling (exchange) rates for those currencies quoted by an official source (such as the central bank) or by a commercial bank or by an internationally circulated newspaper for similar transactions on a date selected in advance, such source and date to be specified in the bidding documents, provided that the date shall not be earlier than four weeks prior to the deadline for the receipt of bids, nor later than the original date for the expiry of the period of bid validity.

Currency of Payment

2.32 Payment of the contract price shall be made in the currency or currencies in which the bid price is expressed in the bid of the successful bidder.

2.33 When the bid price is required to be stated in the local currency but the bidder has requested payment in foreign currencies expressed as a percentage of the bid price, the exchange rates to be used for purposes of payments shall be those specified by the bidder in the bid, so as to ensure that the value of the foreign currency portions of the bid is maintained without any loss or gain.
Terms and Methods of Payment

2.34 Payment terms shall be in accordance with the international commercial practices applicable to the specific goods and works, and shall be made in accordance with the procedures provided in ADB’s Loan Disbursement Handbook (as amended from time to time).

(a) Contracts for supply of goods shall provide for full payment on the delivery and inspection, if so required, of the contracted goods except for contracts involving installation and commissioning, in which case a portion of the payment may be made after the supplier has complied with all its obligations under the contract. The use of letters of credit is encouraged so as to assure prompt payment to the supplier. In major contracts for equipment and plant, provision shall be made for suitable advances and, in contracts of long duration, for progress payments during the period of manufacture or assembly.

(b) Contracts for works shall provide in appropriate cases for mobilization advances, advances on contractor’s equipment and materials, regular progress payments, and reasonable retention amounts to be released upon compliance with the contractor’s obligations under contract.

2.35 Any advance payment for mobilization and similar expenses, made upon signature of a contract for goods or works, shall be related to the estimated amount of these expenses and be specified in the bidding documents. Amounts and timing of other advances to be made, such as for materials delivered to the site for incorporation in the works, shall also be specified. The bidding documents shall specify the arrangements for any security required for advance payments.

2.36 Bidding documents shall specify the payment method and terms offered, whether alternative payment methods and terms will be allowed and, if so, how the terms will affect bid evaluation.

Alternative Bids

2.37 The bidding documents shall clearly indicate when bidders are allowed to submit alternative bids, how alternative bids should be submitted, how bid prices should be offered and the basis on which alternative bids shall be evaluated.

Conditions of Contract

2.38 The contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the rights and obligations of the borrower and of the supplier or contractor, and the functions and authority
of the engineer, architect, or construction manager, if one is employed by the borrower, in the supervision and administration of the contract. In addition to the general conditions of contract, any special conditions particular to the specific goods or works to be procured and the location of the project shall be included. The conditions of contract shall provide a balanced allocation of risks and liabilities.

Performance Security

2.39 Bidding documents for works shall require security in an amount sufficient to protect the borrower in case of breach of contract by the contractor. This security shall be provided in an appropriate form and amount, as specified by the borrower in the bidding document. The amount of the security may vary, depending on the type of security furnished and on the nature and magnitude of the works. A portion of this security shall extend sufficiently beyond the date of completion of the works to cover the defects liability or maintenance period up to final acceptance by the borrower. In addition, retention money to ensure compliance by the contractor of its warranty or maintenance obligations may be required in an amount not to exceed 10 percent of the payments. Such retention money will be withheld until the expiration of the warranty or maintenance period. After completion of the works, but before the expiration of the warranty or maintenance period, the retention money may, at the option of the borrower, be replaced with a suitable bank guarantee or other appropriate security.

2.40 In contracts for the supply of goods, the need for performance security depends on the market conditions and commercial practice for the particular kind of goods. Suppliers or manufacturers may be required to provide a guarantee to protect against nonperformance of the contract. Such security in an appropriate amount may also cover warranty obligations. In addition a percentage of the payments may be held as retention money to cover warranty obligations, and any installation or commissioning requirements. The security or retention money shall be reasonable in amount.

Liquidated Damages and Bonus Clauses

2.41 Provisions for liquidated damages or similar provisions in an appropriate amount shall be included in the conditions of contract when delays in the delivery of goods, completion of works or failure of the goods or works to meet performance requirements would result in extra cost, or loss of revenue or loss of other benefits to the borrower. Provision may also be made for a bonus to be paid to suppliers or contractors for completion of works or delivery of goods ahead of the times specified in the contract when such earlier completion or delivery would be of benefit to the borrower.
Procurement Guidelines

Force Majeure

2.42 The conditions of contract shall stipulate that failure on the part of the parties to perform their obligations under the contract will not be considered a default if such failure is the result of an event of force majeure as defined in the conditions of contract.

Applicable Law and Settlement of Disputes

2.43 The conditions of contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. International commercial arbitration has practical advantages over other methods for the settlement of disputes. Therefore, ADB recommends that borrowers use this type of arbitration in contracts for the procurement of goods and works. ADB shall not be named arbitrator or be asked to name an arbitrator. In case of works contracts, supply and installation contracts, and turnkey contracts, the dispute settlement provision shall also include mechanisms such as dispute review boards or adjudicators, which are designed to permit a speedier dispute settlement.

C. Bid Opening, Evaluation, and Award of Contract

Time for Preparation of Bids

2.44 The time allowed for the preparation and submission of bids shall be determined with due consideration of the particular circumstances of the project and the magnitude and complexity of the contract. Generally, not less than six weeks from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, shall be allowed for ICB. Where large works or complex items of equipment are involved, a longer period may be necessary to enable prospective bidders to conduct investigations before submitting their bids. In such cases, the borrower is encouraged to convene pre-bid conferences and arrange site visits. Bidders shall be permitted to submit bids by mail or by hand. Borrowers may also use electronic systems permitting bidders to submit bids by electronic means, provided ADB is satisfied with the adequacy of the system, including, inter alia, that the system is secure, maintains the confidentiality and integrity of bids submitted, and employs acceptable management procedures to establish date and time of submission, and facilitate modification and withdrawal. Where electronic procurement is used, bidders shall continue to have the option to submit their bids in print form. The deadline and place for receipt of bids shall be specified in the invitation for bids and the bidding documents.
Bid Opening Procedures

2.45 The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter, and shall be announced, together with the place for bid opening, in the invitation to bid. The borrower shall open all bids at the stipulated time and place. Bids shall be opened in public; bidders or their representatives shall be allowed to be present (in person or online, when electronic bidding is used). The name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, shall be read aloud (and posted online when electronic bidding is used) and recorded when opened and a copy of this record shall be promptly sent to ADB and to all bidders who submitted bids in time. Bids received after the time stipulated, as well as those not opened and read out at bid opening, shall not be considered. When electronic bid submission is used, an online bid opening procedure acceptable to ADB may be employed.

Clarifications or Alterations of Bids

2.46 Except as otherwise provided in paragraphs 2.6, 2.63, and 2.64 of these Guidelines, bidders shall not be requested or permitted to alter their bids after the deadline for receipt of bids. The borrower shall ask bidders for clarification needed to evaluate their bids but shall not ask or permit bidders to change the substance or price of their bids after the bid opening. Requests for clarification and the bidders’ responses shall be made in writing, in hard copy or by an electronic system satisfactory to ADB.

Confidentiality

2.47 After the public opening of bids, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award.

Examination of Bids

2.48 The borrower shall ascertain whether the bids (a) meet the eligibility requirements specified in paragraph 1.6, 1.7 and 1.8 of these Guidelines, (b) have been properly signed, (c) are accompanied by the required securities or required declaration signed as specified in paragraph 2.14 of the Guidelines, (d) are substantially responsive to the bidding documents, and (e) are otherwise generally in order. If a bid is not substantially responsive, that is, it contains material deviations from or reservations to the terms, conditions, and specifications in the bidding documents, it shall not be considered further. The bidder shall not be permitted to correct or withdraw material deviations or reservations once bids have been opened.
Evaluation and Comparison of Bids

2.49 The purpose of bid evaluation is to determine the cost to the borrower of each bid in a manner that permits a comparison on the basis of their evaluated cost. Subject to paragraph 2.58, the bid with the lowest evaluated cost, but not necessarily the lowest submitted price, shall be selected for award.

2.50 The bid price read out at the bid opening shall be adjusted to correct any arithmetical errors. Also, for the purpose of evaluation, adjustments shall be made for any quantifiable nonmaterial deviations or reservations. Price adjustment provisions applying to the period of implementation of the contract shall not be taken into account in the evaluation.

2.51 The evaluation and comparison of bids shall be on CIF or CIP (place of destination) prices for the supply of imported goods and EXW prices, plus cost of inland transportation and insurance to the place of destination, for goods manufactured within the borrower’s country, together with prices for any required installation, training, commissioning, and other similar services.

2.52 Bidding documents shall also specify the relevant factors, in addition to price, to be considered in bid evaluation, and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. For goods and equipment, other factors may be taken into consideration including, among others, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the lowest evaluated bid shall, to the extent practicable, be expressed in monetary terms in the evaluation provisions of the bidding documents. Bids shall be compared on the basis of base price without taking into account the provisions for price adjustments. Likewise, customs duties and import taxes on goods to be imported shall be excluded in comparing bids for the supply of goods.

2.53 Under works contracts, contractors are responsible for all duties, taxes, and other levies, and bidders shall take these factors into account in preparing their bids. The evaluation and comparison of bids shall be on this basis. Turnkey contracts shall be evaluated excluding taxes and duties for the goods component. Bid evaluation for works shall be strictly in monetary terms. Any procedure under which bids above or below a predetermined assessment of bid values are automatically disqualified is not acceptable. If time is a critical factor, the value of early completion to the borrower may be taken into account according to criteria presented in the bidding documents, only if the conditions of contract provide for commensurate penalties for noncompliance.

2.54 The borrower shall prepare a detailed report on the evaluation and comparison of bids setting forth the specific reasons on which the recommendation is based for the award of the contract.
Domestic Preferences

2.55 At the request of the borrower, and under conditions to be agreed under the financing agreement and set forth in the bidding documents, a margin of preference may be provided in the evaluation of bids for:

(a) goods manufactured in the country of the borrower when comparing bids offering such goods with those offering goods manufactured abroad; and

(b) works in member countries below a specified threshold of GNP per capita, when comparing bids from eligible domestic contractors with those from foreign firms.

2.56 Where preference for domestically manufactured goods or for domestic contractors is allowed, the methods and stages set forth in Appendix 2 to these Guidelines shall be followed in the evaluation and comparison of bids.

Extension of Validity of Bids

2.57 Borrowers shall complete evaluation of bids and award of contract within the initial period of bid validity so that extensions are not necessary. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date. The extension shall be for the minimum period required to complete the evaluation, obtain the necessary approvals, and award the contract. Whenever an extension of bid validity period is requested, bidders shall not be requested or be permitted to change the price or other conditions of their bid. Bidders shall have the right to refuse to grant such an extension. If the bidding documents require a bid security, bidders may exercise their right to refuse to grant such an extension without forfeiting their bid security, but those who are willing to extend the validity of their bid shall be required to provide a suitable extension of bid security.

Postqualification of Bidders

2.58 If bidders have not been prequalified, the borrower shall determine whether the bidder whose bid has been determined to offer the lowest evaluated cost has the capability and resources to effectively carry out the contract as offered in the bid. The criteria to be met shall be set out in the bidding documents, and if the bidder does not meet them, the bid shall be rejected. In such an event, the borrower shall make a similar determination for the next lowest evaluated bidder.
Award of Contract

2.59 The borrower shall award the contract, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost. A bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

Publication of the Award of Contract

2.60 Within two weeks of receiving ADB’s “no objection” to the recommendation of contract award, the borrower shall publish in an English language newspaper or well-known and freely accessible website the results identifying the bid and lot numbers, and the following information: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated prices of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. For contracts subject to post review, the borrower shall publish the results no later than the date of contract award.

Rejection of All Bids

2.61 Bidding documents usually provide that borrowers may reject all bids. Rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive or when bid prices are substantially higher than existing budget. Lack of competition shall not be determined solely on the basis of the number of bidders. Even when only one bid is submitted, the bidding process may be considered valid, if the bid was satisfactorily advertised and prices are reasonable in comparison to market values. Borrowers may, after ADB’s prior approval, reject all bids. If all bids are rejected, the borrower shall review the causes justifying the rejection and consider making revisions to the conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

2.62 If the rejection of all bids is due to lack of competition, wider advertising shall be considered. If the rejection is due to most or all of the bids being nonresponsive, new bids may be invited from the initially prequalified firms, or with the agreement of ADB from only those that submitted bids in the first instance.

2.63 When all bids have been rejected, a rebidding may be called, and the borrower shall request for new bids from all who were supplied with bidding documents in the first instance. However, if there has been a sufficient number
of bids in the initial bidding, the borrower may consider inviting bids only from those who have previously submitted bids. Where all bid prices substantially exceed the cost estimates, the borrower may, instead of calling for new bids, and after consultation with ADB, negotiate with the lowest evaluated bidder for a reduction of the bid price. If no satisfactory contract can be concluded and a rebidding is called, modification of the scope of the contract shall be considered.

2.64 ADB’s prior approval shall be obtained before rejecting all bids, soliciting new bids, or entering into negotiations with the lowest evaluated bidder.

Debriefing

2.65 In the publication of contract award referred to in paragraph 2.60 the borrower shall specify that any bidder who wishes to ascertain the grounds on which its bid was not selected, should request an explanation from the borrower. The borrower shall promptly provide an explanation of why such bid was not selected, either in writing and/or in a debriefing meeting, at the option of the borrower. The requesting bidder shall bear all the costs of attending such a debriefing.

D. Modified ICB

Operations Involving a Program of Imports

2.66 Proceeds of a program loan may be utilized to finance economy-wide import requirements on the basis of a negative import list, or sector-specific import requirements on the basis of a positive import list. Normally, negative import lists will be appropriate, although positive lists may also be applied, for example when foreign exchange is scarce and ADB wishes to ensure that sector import requirements are met. Documentation in respect of specific imports is required for program loans for which a positive list of eligible items is utilized.

2.67 ADB’s normal ICB procedures are not required for contracts financed under program loans. For goods commonly traded in international commodity markets (e.g., petroleum products and fertilizers), normal commercial procedures appropriate to the trade are regarded as acceptable for ADB financing. Financing of specific commodities may be limited to an agreed upon maximum percentage (say 60% of the total loan amount). The specific procurement procedures proposed for each program loan are based on ADB’s assessment of the procedures in the borrowing DMC and are set out in the loan documentation. The borrower and, where appropriate, concerned agencies are required to keep accurate records of the accounts under the program loan.
Procurement of Commodities

2.68 Market prices of commodities, such as grain, animal feed, cooking oil, fuel, fertilizer, and metals, fluctuate, depending upon the demand and supply at any particular time. Many are quoted in established commodity markets. Procurement often involves multiple awards for partial quantities to assure security of supply and multiple purchases over a period of time to take advantage of favorable market conditions and to keep inventories low. A list of prequalified bidders may be drawn up to whom periodic invitations are issued. Bidders may be invited to quote prices linked to the market price at the time of or prior to the shipments. Bid validities shall be as short as possible. A single currency in which the commodity is usually priced in the market, may be used for bidding and payment. The currency shall be specified in the bidding document. Bidding documents may permit faxed bids or bids submitted by electronic means, and in such cases either no bid security is required, or standing bid securities may be submitted by prequalified bidders valid over a specified period of time. Standard contract conditions and forms consistent with market practices shall be used.

Repeat Order

2.69 Where, after the items originally envisaged for the project have been procured through international competitive bidding, an additional quantity of the same items is urgently needed to meet the requirements of the project and funds are available for this purpose, the additional items may be procured through repeat order bidding where it can be shown clearly that no advantage could be gained by adopting full international competitive bidding. Under this procedure, bids may be invited only from those who submitted responsive bids for the original order or, if there was a large number of responsive bidders, only from the five lowest responsive bidders.

III. OTHER METHODS OF PROCUREMENT

General

3.1 This Section describes the methods of procurement that can be used where (ICB) would not be the most economic and efficient method of procurement, and where other methods are deemed more appropriate. ADB’s policies with respect to margins of preference for domestically manufactured goods and works contracts do not apply to methods of procurement other than ICB. Paragraphs 3.2 to 3.7 describe the generally used methods in descending order of preference and the remaining paragraphs the methods used in specific circumstances.
Procurement Guidelines

Limited International Bidding

3.2 Limited international bidding (LIB) is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement where (a) there is only a limited number of suppliers, (b) the amount of the contract is not large enough to attract foreign suppliers and contractors through ICB, or (c) other exceptional reasons may justify departure from full ICB procedures. Under LIB, borrowers shall seek bids from a list of potential suppliers broad enough to assure competitive prices, such list to include all suppliers when there are only a limited number. Domestic preferences are not applicable in the evaluation of bids under LIB. In all respects other than advertisement and preferences, ICB procedures shall apply, including the publication of the award of contract as indicated in paragraph 2.60.

National Competitive Bidding

3.3 National competitive bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the borrower, and may be the most appropriate way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in ADB-financed procurement, these procedures shall be reviewed and modified as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of these Guidelines. NCB may be the most appropriate method of procurement where foreign bidders are not expected to be interested because (a) the contract values are small, (b) works are scattered geographically or spread over time, (c) works are labor intensive, or (d) the goods or works are available locally at prices below the international market. NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.

3.4 Advertising may be limited to the national press or official gazette, or a free and open access website. Bidding documents may be only in a national language of the borrower’s country (or the language used nation-wide in the borrower’s country for commercial transactions), and the currency of the country of the borrower is generally used for the purposes of bidding and payment. In addition, the bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids. Adequate response time for preparation and submission of bids shall be provided. The procedures shall provide for adequate competition in order to ensure reasonable prices, and methods used in the evaluation of bids and the award of contracts shall be objective and made known to all bidders in the bidding documents and not be applied arbitrarily. The procedures shall also include public opening of bids, publication of results of evaluation and of the award of contract and provisions for bidders to protest. If foreign firms wish to participate under these circumstances, they shall be allowed to do so.
Procurement Guidelines

Shopping

3.5 Shopping is a procurement method based on comparing price quotations obtained from several suppliers (in the case of goods) or from several contractors (in the case of civil works), with a minimum of three, to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities of small value, or simple civil works of small value. Requests for quotations shall indicate the description and quantity of the goods or specifications of works, as well as desired delivery (or completion) time and place. Quotations may be submitted by letter, facsimile or by electronic means. The evaluation of quotations shall follow the same principles as of open bidding. The terms of the accepted offer shall be incorporated in a purchase order or brief contract.

Direct Contracting

3.6 Direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances:

(a) Additional items are required under an existing contract, which was awarded in accordance with ICB procedures. ADB shall be satisfied in such cases that no better offer is likely to be received, and that the price to be paid is not more than the original price. Usually, the repeat order shall occur within 18 months of the original order while the additional quantities shall not exceed 30 percent of the original quantities.

(b) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to ADB.

(c) The required equipment is proprietary and obtainable only from one source.

(d) The contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee.

(e) Where civil works are to be contracted that are a natural extension of an earlier or ongoing job and it can be shown that the engagement of the same contractor will be more economical and will ensure compatibility of results in terms of quality of work.
(f) In exceptional cases, such as in response to natural disasters.

3.7 After the contract signature, the borrower shall publish in an English language newspaper or in English on a well-known and freely accessible website the name of the contractor, price, duration, and summary scope of the contract. This publication may be done quarterly and in the format of a summarized table covering the previous period.

**Force Account**

3.8 Force account, that is, construction by the use of the borrower’s own personnel and equipment, may be the only practical method for constructing some kinds of works. The use of force account may be justified where:

(a) quantities of work involved cannot be defined in advance;

(b) works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices;

(c) work is required to be carried out without disrupting ongoing operations;

(d) risks of unavoidable work interruption are better borne by the borrower than by a contractor; or

(e) there are emergencies needing prompt attention.

**Procurement from Specialized Agencies**

3.9 There may be situations in which procurement directly from specialized agencies, acting as suppliers, pursuant to their own procedures, may be the most appropriate way of procuring: (a) small quantities of off-the-shelf goods, primarily in the fields of education and health; and (b) specialized products where the number of suppliers is limited such as for vaccines or drugs.

**Procurement Agents**

3.10 Where borrowers lack the necessary organization, resources, and experience, borrowers may wish (or be required by ADB) to employ, as their agent, a firm specializing in handling procurement. The agent shall follow all the procurement procedures provided for in the financing agreement and the Guidelines, including use of ADB SBDs, review procedures, and documentation. This also applies in cases where UN agencies act as procurement agents. Management contractors may be employed in a similar manner for a fee to contract for miscellaneous works involving reconstruction, repairs, rehabilitation,
and new construction in emergency situations, or where large numbers of small contracts are involved.

Inspection Agents

3.11 Preshipment inspection and certification of imports is one of the safeguards for the borrower, particularly where the country has a large import program. The inspection and certification usually covers quality, quantity, and reasonableness of price. Imports procured through competitive bidding procedures shall not be subject to price verification, but only verification for quality and quantity. However, imports not procured through ICB may additionally be subjected to price verification. The inspection agents are ordinarily paid for on a fee basis levied on the value of the goods. Costs for certification of imports shall not be considered in the evaluation of bids under ICB.

Procurement in Loans to Financial Intermediaries

3.12 Where the financing provides funds to an intermediary institution such as an agricultural credit institution or a development finance company, to be re-lent to beneficiaries such as individuals, private sector enterprises, small and medium enterprises, or autonomous commercial enterprises in the public sector for the partial financing of subprojects, the procurement is usually undertaken by the respective beneficiaries in accordance with established private sector or commercial practices, which are acceptable to ADB. However, even in these situations, ICB may be the most appropriate procurement method for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing.

Procurement under BOO/BOT/BOOT, Concessions and Similar Private Sector Arrangements

3.13 In the case of loans made by ADB to the private sector without government guarantee, ADB does not insist on ICB procedures, but will request borrowers to satisfy ADB that procurement procedures have been applied in a transparent manner, preferably through competitive bidding procedures, and that the goods and works procured are from eligible member countries and are suitable for the project. Where ADB is participating in financing a BOO/BOT/BOOT or similar type of project, either of the following procurement procedures shall be used:

(a) The project sponsor for a BOO/BOT/BOOT or similar type of project shall be selected in a transparent manner, preferably through competitive bidding procedures acceptable to ADB, which may include several stages in order to arrive at the optimal combination of criteria for the purpose of establishing the most economic and efficient proposal, such as the performance specifications of the
facility offered, the cost charged to the user or purchaser, and the period of the facility depreciation. The project sponsor selected in this manner shall then be free to procure the goods and works required for the facility from eligible member countries, using suitable procedures.

Or,

(b) If the project sponsor has not been selected in the manner set forth in sub-paragraph (a) above, the goods and works required for the facility and to be financed by ADB, shall be procured from eligible member countries in a transparent manner, through competitive bidding procedures acceptable to ADB.

Performance-Based Procurement

3.14 Performance based procurement, also called output-based procurement, refers to competitive procurement processes (ICB or NCB) resulting in a contractual relationship where payments are made for measured outputs instead of the traditional way where inputs are measured. The technical specifications define the desired result and which outputs will be measured including how they will be measured. Those outputs aim at satisfying a functional need both in terms of quality, quantity and reliability. Payment is made in accordance with the quantity of outputs delivered, subject to their delivery at the level of quality required. Reductions from payments (or retentions) may be made for lower-quality level of outputs and, in certain cases, premiums may be paid for higher quality level of outputs. The bidding documents do not normally prescribe the inputs, nor a work method for the contractor. The contractor is free to propose the most appropriate solution, based on mature and well proven experience and shall demonstrate that the level of quality specified in the bidding documents will be achieved.

3.15 Performance based procurement (or output based procurement) can involve: (a) the provision of services to be paid on the basis of outputs; (b) design, supply, construction (or rehabilitation) and commissioning of a facility to be operated by the borrower; or (c) design, supply, construction (or rehabilitation) of a facility and provision of services for its operation and maintenance for a defined period of years after its commissioning. For the cases where design, supply and/or construction are required, prequalification is normally required and the use of two-stage bidding as indicated in paragraph 2.6 shall apply.

Procurement under Loans Guaranteed by ADB

3.16 If ADB guarantees the repayment of a loan made by another lender, the goods and works financed by the said loan shall be procured with due attention to economy and efficiency and in accordance with procedures which meet the requirements of paragraphs 1.2 and 1.5.
Community Participation in Procurement

3.17 Where, in the interest of project sustainability, or to achieve certain specific social objectives of the project, it is desirable in selected project components to (a) call for the participation of local communities and/or nongovernmental organizations (NGOs) in the delivery of services, or (b) increase the utilization of local know-how and materials, or (c) employ labor-intensive and other appropriate technologies, the procurement procedures, specifications, and contract packaging shall be suitably adapted to reflect these considerations, provided these are efficient and are acceptable to ADB. The procedures proposed and the project components to be carried out by community participation shall be outlined in the financing agreement and further elaborated in the procurement plan or the relevant project implementation document approved by ADB.

Procurement under Disaster and Emergency Assistance

3.18 Procurement of goods and works under disaster and emergency assistance shall incorporate greater flexibility. ICB requirements will be relaxed in favor of NCB with an abbreviated bidding period. LIB will be the norm for procurement of goods with minimum bidding periods ranging from one to two weeks. Direct contracting to contractors and suppliers under existing loans or grants will be allowed for new contracts, with rates negotiated around those in effect for the existing contract with adjustments as required for inflation and physical considerations. Similarly, contractors and suppliers competitively selected under projects financed by other donors will be considered for direct contracting for new ADB-financed contracts.
APPENDIX 1: ADB REVIEW OF PROCUREMENT DECISIONS

Scheduling of Procurement

1. ADB shall review the procurement arrangements proposed by the borrower in the procurement plan for its conformity with the financing agreement and these Guidelines. The procurement plan shall cover an initial period of at least 18 months. The borrower shall update the procurement plan on an annual basis or as needed always covering the next 18 months period of project implementation. Any revisions proposed to the procurement plan shall be furnished to ADB for its prior approval.

Prior Review

2. With respect to all contracts which are subject to ADB’s prior review:

(a) In cases where prequalification is used, the borrower shall, before prequalification submissions are invited, furnish ADB with the draft documents to be used, including the text of the invitation to prequalify, the prequalification documents (including instructions to applicants, qualification criteria, application forms, and scope of contract), and the evaluation methodology, together with a description of the advertising procedures to be followed, and shall introduce such modifications in said procedure and documents, as ADB shall reasonably request. The report evaluating the applications received by the borrower, the list of proposed prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the borrower to ADB for its comments before the applicants are notified of the borrower’s decision, and the borrower shall make such additions to, deletions from, or modifications in the said list as ADB shall reasonably request.

(b) Before bids are invited, the borrower shall furnish to ADB for its comments, draft bidding documents, including the invitation to bid; instructions to bidders, including the basis of bid evaluation and contract award; and the conditions of contract and specifications for the civil works, supply of goods, or installation of equipment, etc., as the case may be, together with a description of the advertising procedures to be followed for the bidding (if prequalification has not been used), and shall make such modifications in the said documents as ADB
shall reasonably request. Any further modification shall require
ADB’s approval before it is issued to the prospective bidders.

c) After bids have been received and evaluated, the borrower shall,
before a final decision on the award is made, furnish to ADB,
at least four weeks prior to expiration of bid validity, a detailed
report (prepared, if ADB shall so request, by experts acceptable
to ADB), on the evaluation and comparison of the bids received,
together with the recommendations for award and such other
information as ADB shall reasonably request. ADB shall, if it
determines that the intended award would be inconsistent
with the financing agreement and/or the procurement plan,
promptly inform the borrower and state the reasons for such
determination. Otherwise, ADB shall provide its no objection
to the recommendation for contract award. The borrower shall
award the contract only after receiving the “no objection” from
ADB.

(d) If the borrower requires an extension of bid validity to complete
the process of evaluation, obtain necessary approvals and
clearances, and to make the award, it should seek ADB’s prior
approval for the first request for extension, if it is longer than
four weeks, and for all subsequent requests for extension,
irrespective of the period.

c) If after publication of the results of evaluation, the borrower
receives protests or complaints from bidders, a copy of the
complaint and a copy of the borrower’s response shall be sent to
ADB for information.

(f) If as result of analysis of a protest the borrower changes its
contract award recommendation, the reasons for such decision
and a revised evaluation report shall be submitted to ADB for
no objection. The borrower shall provide a republication of
the contract award in the format of paragraph 2.60 of these
Guidelines.

(g) The terms and conditions of a contract shall not, without ADB’s
prior approval, materially differ from those on which bids were
asked or prequalification of contractors, if any, was invited.

(h) Promptly after each contract is awarded, ADB shall be furnished
with three copies of the contract as executed. If the final
contract proposed to be executed differs substantially from the
draft contract previously approved by ADB, or if any substantial
amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

(i) All evaluation reports shall be accompanied by a summary of the procurement on a form provided by ADB. The description and amount of the contract, together with the name and address of the successful bidder, shall be subject to release by ADB upon receipt of the signed copy of the contract.

3. Modifications. In the case of contracts subject to prior review, before granting a material extension of the stipulated time for performance of a contract, agreeing to any modification or waiver of the conditions of such contract, including issuing any change order or orders under such contract (except in cases of extreme urgency) which would in aggregate increase the original amount of the contract by more than 15 percent of the original price, the borrower shall seek ADB’s no objection to the proposed extension, modification, or change order. If ADB determines that the proposal would be inconsistent with the provisions of the financing agreement and/or procurement plan, it shall promptly inform the borrower and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to ADB for its record.

4. Translations. Contracts awarded under ICB must be written in English. Any supporting documentation that might have originated in another language (such as technical descriptions of equipment) must be accompanied with an English translation.

Post Review

5. If ADB and the borrower have agreed on post review, ADB will review and respond as soon as practicable, but no later than 6 months after receipt of the required documents, or it will be assumed that ADB has no objection to the borrower’s action. The borrower shall retain all documentation with respect to each contract where post facto review is required during project implementation and up to two years after the project closing date. This documentation would include, but not be limited to, the signed original of the contract, the evaluation report including the analysis of the respective proposals, and recommendations for award, for examination by ADB or by its consultants. Master copies of electronic documents must be retained in print form, suitably authenticated by the issuing agency by signature, stamp or other feature acceptable to ADB. The borrower shall furnish such documentation to ADB upon award of contract unless otherwise specified in the financing agreement. If ADB
determines that the goods, or works were not procured in accordance with the agreed procedures as reflected in the financing agreement, it may declare misprocurement as established in paragraph 1.12 of the Guidelines. ADB shall promptly inform the borrower the reasons for such determination. If misprocurement is declared after disbursement, the borrower shall refund the corresponding amount to ADB.
APPENDIX 2: DOMESTIC PREFERENCES

Preference for Domestically Manufactured Goods

1. The borrower may, with the agreement of ADB, grant a margin of preference in the evaluation of bids under international competitive bidding (ICB) procedures to bids offering certain goods manufactured in the country of the borrower, when compared to bids offering such goods manufactured elsewhere. In such cases, bidding documents shall clearly indicate any preference to be granted to domestic manufactured goods and the information required to establish the eligibility of a bid for such preference. The nationality of the manufacturer or supplier is not a condition for such eligibility. The methods and stages set forth hereunder shall be followed in the evaluation and comparison of bids.

2. For comparison, responsive bids shall be classified in one of the following three groups:

   (a) Group A: bids exclusively offering goods manufactured in the country of the borrower if the bidder establishes to the satisfaction of the borrower and ADB that (i) labor, raw material, and component from within the country of the borrower will account for 30 percent or more of the EXW price of the product offered, and (ii) the production facility in which those goods will be manufactured or assembled has been engaged in manufacturing/ assembling such goods at least since the time of bid submission.

   (b) Group B: all other bids offering goods manufactured in the country of the borrower.

   (c) Group C: bids offering goods manufactured abroad that have been already imported or that will be directly imported.

3. The price quoted for goods in bids of groups A and B shall include all duties and taxes paid or payable on the basic materials or component purchased in the domestic market or imported, but shall exclude the sales and similar taxes on the finished product. The price quoted for goods in bids of group C shall be on CIF or CIP (place of destination), which is exclusive of customs duties and other import taxes already paid or to be paid.

4. In the first step, all evaluated bids in each group shall be compared to determine the lowest bid in each group. Such lowest evaluated bids shall be compared with each other and if, as a result of this...
comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

5. If as a result of the comparison under paragraph four above, the lowest evaluated bid is a bid from group C, the lowest evaluated bid from group C shall be further compared with the lowest evaluated bid from group A after adding to the evaluated price of goods offered in the bid from group C, for the purpose of this further comparison only, an amount equal to 15 percent of the CIF or CIP bid price. The lowest evaluated bid determined from this last comparison shall be selected.

6. In the case of single responsibility, supply and installation or turnkey contracts in which a number of discrete items of equipment is grouped into one contract package or in a bid package involving multiple items, the preference margin shall not be applied to the whole package, but only to the locally manufactured equipment within the package. Equipment offered from abroad shall be quoted CIF or CIP, and equipment offered locally EXW (free of sales and similar taxes); and all other components, such as design, works, installation, and supervision, shall be quoted separately. Bids should not be classified into groups A, B, or C. In the comparison of bids, only the CIF or CIP price in each bid of the equipment offered from outside the borrower’s country shall be increased by 15 percent. No preference shall be applied for any associated services or works included in the package.

Preference for Domestic Contractors

7. For contracts for works to be awarded on the basis of ICB, eligible borrowers may, with the agreement of ADB, grant a margin of preference of 7.5 percent to domestic contractors, in accordance with, and subject to, the following provisions:

(a) Contractors applying for such preference shall be asked to provide, as part of the data for qualification, such information, including details of ownership, as shall be required to determine whether, according to the classification established by the borrower and accepted by ADB, a particular contractor or group of contractors qualifies for a domestic preference. The bidding documents shall clearly indicate the preference and the method that will be followed in the evaluation and comparison of bids to give effect to such preference.

(b) After bids have been received and reviewed by the borrower, responsive bids shall be classified into the following groups:
(i) Group A: bids offered by domestic contractors eligible for the preference.

(ii) Group B: bids offered by other contractors.

8. For the purpose of evaluation and comparison of bids, an amount equal to 7.5 percent of the bid amount shall be added to bids received from contractors in group B.
APPENDIX 3: GUIDANCE TO BIDDERS

Purpose

1. This appendix provides guidance to potential bidders wishing to participate in ADB-financed procurement.

Responsibility for Procurement

2. The responsibility for the implementation of the project, and therefore for the payment of goods, works, and services under the project, rests solely with the borrower. ADB, for its part, is required by its Charter to ensure that funds are paid from ADB financing only as expenditures are incurred. Disbursements are made only at the borrower’s request. Supporting evidence that the funds are used in accordance with the financing agreement and/or the procurement plan shall be submitted with the borrower’s withdrawal application. Payment may be made (a) to reimburse the borrower for payment(s) already made from its own resources, (b) directly to a third party (usually to a supplier or contractor), or (c) to a commercial bank for expenditures against a Commitment Letter covering a commercial bank’s letter of credit. As emphasized in paragraph 1.2 of the Guidelines, the borrower is legally responsible for the procurement. It invites, receives, and evaluates bids, and awards the contract. The contract is between the borrower and the supplier or contractor. ADB is not a party to the contract.

ADB’s Role

3. As stated in paragraph 1.11 of the Guidelines, ADB reviews the procurement procedures, documents, bid evaluations, award recommendations, and the contract to ensure that the process is carried out in accordance with agreed procedures, as required in the financing agreement. In the case of major contracts, the documents are reviewed by ADB prior to their issue, as described in Appendix 1. Also, if, at any time in the procurement process (even after the award of contract), ADB concludes that the agreed procedures were not followed in any material respect, ADB may declare misprocurement, as described in paragraph 1.12. However, if a borrower has awarded a contract after obtaining ADB’s “no objection,” ADB will declare misprocurement only if the “no objection” was issued on the basis of incomplete, inaccurate, or misleading information furnished by the borrower. Furthermore, if ADB determines that corrupt or fraudulent practices were engaged in by representatives of the borrower or of the bidder, ADB may impose the applicable sanctions set forth in paragraph 1.14 of the Guidelines.
4. ADB has published Standard Bidding Documents (SBDs) for various types of procurement. As stated in paragraph 2.12 of the Guidelines, it is mandatory for the borrower to use these documents, with minimum changes to address country- and project-specific issues. The prequalification and bidding documents are finalized and issued by the borrower.

Information on Bidding

5. Information on bidding opportunities under ICB may be obtained from the general procurement notice and the specific procurement notices as described in paragraphs 2.7 and 2.8 of the Guidelines. General guidance on participation, as well as advance information on business opportunities in upcoming projects, may be obtained from the ADB website.

Bidder’s Role

6. Once a bidder receives the prequalification or bidding document, the bidder should study the documents carefully to decide if it can meet the technical, commercial, and contractual conditions, and if so, proceed to prepare its bid. The bidder should then critically review the documents to see if there is any ambiguity, omission, or internal contradiction, or any feature of specifications or other conditions which are unclear or appear discriminatory or restrictive; if so, it should seek clarification from the borrower, in writing, within the time period specified in the bidding documents for seeking clarifications.

7. The criteria and methodology for selection of the successful bidder are outlined in the bidding documents, generally under Instructions to Bidders and Specifications. If these are not clear, clarification should be similarly sought from the borrower.

8. In this connection it should be emphasized that the specific bidding documents issued by the borrower govern each procurement, as stated in paragraph 1.1 of the Guidelines. If a bidder feels that any of the provisions in the documents are inconsistent with the Guidelines, it should also raise this with the borrower.

9. It is the responsibility of the bidder to raise any issue of ambiguity, contradiction, omission, etc., prior to the submission of its bid, to assure submission of a fully responsive and compliant bid, including all the supporting documents requested in the bidding documents. Noncompliance with critical (technical and commercial) requirements will result in rejection of the bid. If a bidder wishes to propose deviations to a noncritical requirement, or propose an alternative solution, the bidder should quote the price for the fully
compliant bid and then separately indicate the adjustment in price that can be offered if the deviation is accepted. Alternative solutions should be offered only when authorized in the bidding documents. Once bids are received and publicly opened, bidders will not be required or permitted to change the price or substance of a bid.

Confidentiality

10. As stated in paragraph 2.47 of the Guidelines, the process of bid evaluation shall be confidential until the publication of contract award. This is essential to enable the borrower and ADB reviewers to avoid either the reality or perception of improper interference. If at this stage a bidder wishes to bring additional information to the notice of the borrower, ADB, or both, it should do so in writing.

Action by ADB

11. Bidders are free to send copies of their communications on issues and questions with the borrower to ADB or to write to ADB directly, when borrowers do not respond promptly, or the communication is a complaint against the borrower. All such communications should be addressed to the project officer for the project, with a copy to the Principal Director, Central Operations Services Office.

12. References received by ADB from potential bidders, prior to the closing date for submission of the bids, will, if appropriate, be referred to the borrower with ADB's comments and advice, for action or response.

13. Communication received from bidders after the opening of the bids, will be handled as follows. In the case of contracts not subject to prior review by ADB, the communication will be sent to the borrower for due consideration and appropriate action, if any, and these will be reviewed during subsequent supervision of the project by ADB staff. In the cases of contracts subject to the prior review process, the communication will be examined by ADB, in consultation with the borrower. If additional data is required to complete this process, these will be obtained from the borrower. If additional information or clarification is required from the bidder, ADB will ask the borrower to obtain it and comment or incorporate it, as appropriate, in the evaluation report. ADB's review will not be completed until the communication is fully examined and considered.

14. (a) Except for acknowledgment, ADB will not normally enter into discussion or correspondence with any bidder during the evaluation and review process of the procurement, until award of the contract is published.
(b) Notwithstanding paragraph 14(a) above, ADB may enter into discussion where it deems necessary to conduct investigations, audit, evaluation or other assessments of the procurement process.

Debriefing

15. As stated in paragraph 2.65, if, after notification of award, a bidder wishes to ascertain the grounds on which its bid was not selected, it should address its request to the borrower. If the bidder is not satisfied with the explanation given and wishes to seek a meeting with ADB, it may do so by writing the Principal Director, Central Operations Services Office, who will arrange a meeting at the appropriate level and with the relevant staff. In this discussion, only the bidder’s bid can be discussed and not the bids of competitors.
GUIDELINES ON THE USE OF CONSULTANTS BY ASIAN DEVELOPMENT BANK AND ITS BORROWERS

I. INSTRUCTIONS AND POLICIES

Purpose

1.1 The purpose of these Guidelines is to define policies and procedures of the Asian Development Bank (ADB) for selecting, contracting, and monitoring consultants required for loan and technical assistance (TA) projects financed in whole or in part by loans from ADB, grants by ADB, or funds administered by ADB. The Guidelines provide a statement of applicable ADB policies and procedures; further clarifications are included in ADB's project administration instructions (PAIs), and/or standard requests for proposals (RFPs).

1.2 The loan agreement, grant agreement or TA letter agreement, as the case may be, governs the legal relationships between the recipient and ADB, and the Guidelines apply to the recruitment of consultants as provided in the relevant agreement. The rights and obligations of the borrower or ADB and the consultant are governed by the specific RFP issued by the borrower or ADB and by the contract signed by the borrower or ADB with the consultant, and not by these Guidelines, the loan agreement, grant agreement or TA letter agreement. No party other than the parties to the loan agreement, grant agreement or TA letter agreement shall derive any rights therefrom or have any claim to loan, grant or TA proceeds.

1.3 For the purpose of these Guidelines, the term consultants includes a wide variety of private and public entities, including international and national consulting firms, engineering firms, construction firms, management firms, procurement agents, inspection agents, auditors, United Nations (UN) agencies and other multinational organizations, universities, research institutions, government agencies, nongovernment organizations (NGOs), and individuals. ADB or its borrowers use these organizations as consultants to help in a wide range of activities such as policy advice, institutional reforms, management, engineering services, construction supervision, financial services, procurement services, social and environmental studies, and identification, preparation, and implementation of projects to complement borrowers’ or ADB’s capabilities in these areas.

General Considerations

1.4 Normally, the borrower is responsible for the selection, engagement and supervision of loan-financed consultants, and ADB is responsible for the
selection, engagement and supervision of TA grant-financed consultants. While
the specific rules and procedures to be followed for employing consultants
depend on the circumstances of the particular case, six main considerations
guide ADB’s policy on the selection process:

(a) need for high-quality services,
(b) need for economy and efficiency,
(c) need to give all qualified consultants an opportunity to compete in
providing the services financed by ADB,
(d) ADB’s interest in encouraging the development and use of national
consultants from developing member countries (DMCs),
(e) need for transparency in the selection process, and
(f) need for increasing focus on anticorruption and observance of ethics.

1.5 ADB considers that, in the majority of cases, these considerations
can best be addressed through competition among qualified shortlisted firms
in which the selection is based on the quality of the proposal and, where
appropriate, on the cost of the services to be provided. Part II, section A, of
these Guidelines describes the different methods of selection of consultants
accepted by ADB and the circumstances in which they are appropriate. Since
quality- and cost-based selection (QCBS) is ADB’s preferred method, paras.
2.02-2.21 of these Guidelines describes in detail the procedures for QCBS.
However, for cases where QCBS is not the most appropriate, paras. 2.23–2.32
outline alternative selection methods.

1.6 The methods that may be used for the selection of consultants under
a loan or TA project are provided for in the loan agreement, grant agreement,
or TA letter agreement. The specific contracts to be financed under the
project, and their method of selection, consistent with the provisions of the
loan, grant or TA letter agreement, shall be specified in the procurement plan
(see para. 1.27).

Applicability

1.7 Consulting services to which these Guidelines apply are generally of
an intellectual and advisory nature covering a wide range of sectors, both public
and private, and a wide range of services at all stages of the project cycle.
These guidelines do not normally apply to other types of services in which the
physical aspects of the activity predominate (e.g., construction of works).
1.8 The procedures outlined in these Guidelines apply to all contracts for
consulting services financed in whole or in part from loans, TAs or other grants
or ADB-administered funds implemented by ADB or a borrower. In procuring
consulting services not financed from such sources, the borrower may adopt
other procedures. In such cases, ADB shall satisfy itself that (i) the procedures
to be used will result in the selection of consultants who have the necessary
professional qualifications, (ii) the selected consultants will carry out the
assignment in accordance with the agreed schedule, and (iii) the scope of the services is consistent with the needs of the project.

1.9 Consultants recruited by the borrower include firms and individuals for loan projects and delegated TA. ADB may use consultants for TA activities which are financed by ADB from its own resources or which, although financed by another institution, are executed by ADB on behalf of such other institution. ADB may also use (i) staff consultants to supplement its own staff by providing specialized expert knowledge and advice for ADB activities under contracts financed from ADB’s administrative budget; and (ii) resource persons to facilitate conferences, workshops, and seminars. In such cases, the consultants will be recruited by ADB. The duties of consultants are defined in the terms of reference (TOR) which, in the case of a TA project, are prepared in collaboration with the recipient entity.

Conflict of Interest

1.10 ADB considers a conflict of interest to be a situation in which a party has interests that could improperly influence that party’s performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations and that such conflict of interest may contribute to or constitute a prohibited practice under ADB’s anticorruption policy. In pursuance of the anticorruption policy’s requirement that borrowers (including beneficiaries of ADB-financed activity) as well as consultants under ADB-financed contracts observe the highest standard of ethics, ADB will take appropriate actions to manage such conflicts of interest or may reject a proposal for award if it determines that a conflict of interest has flawed the integrity of any consultant selection process.

1.11 Without limitation on the generality of the foregoing, consultants shall not be recruited under the circumstances set forth below:

(a) Conflict between consulting activities and procurement of goods, works or services (other than consulting services covered by these guidelines). A consulting firm or individual consultant that has been engaged by ADB or a borrower to provide goods, works, or services (other than consulting services covered by these Guidelines) for a project, shall be disqualified from providing consulting services related to those goods, works or services. Conversely, a consulting firm or individual consultant hired to provide consulting services for the preparation or implementation of a project shall be disqualified from subsequently providing goods, works or services (other than consulting services covered by these Guidelines) resulting from or directly related to the firm’s or individual consultant’s services for such preparation or implementation.
(b) Conflict among consulting assignments. Consulting firms or individual consultants shall not be hired for any assignment that, by its nature, may be in conflict with another assignment of the firm or individual. As an example, consulting firms or individual consultants hired to prepare engineering design for an infrastructure project shall not be engaged to prepare an independent environmental assessment for the same project, and consulting firms or individual consultants assisting a client in the privatization of public assets shall neither purchase, nor advise purchasers of, such assets. Similarly, consultants hired to prepare TOR for an assignment shall not be hired for the assignment in question.

(c) Relationship with borrower’s staff. Consulting firms or individual consultants that have a business or family relationship with an ADB staff member or with a borrower’s staff who are directly or indirectly involved in any part of (i) the preparation of the TOR of the contract, (ii) the recruitment process for such contract, or (iii) supervision of such contract may not be awarded a contract, unless the conflict stemming from this relationship has been resolved in a manner acceptable to ADB throughout the recruitment process and the execution of the contract.

Unfair Competitive Advantage

1.12 Fairness and transparency in the recruitment process require that consulting firms or individual consultants competing for a specific assignment do not derive a competitive advantage from having provided consulting services related to the assignment in question. To that end, ADB or the borrower shall make available to all the shortlisted consultants together with the RFP all information that would in that respect give a consulting firm or an individual consultant a competitive advantage.

Eligibility

1.13 To foster competition, ADB permits firms and individuals from all ADB member countries to offer consulting services for projects to be financed by ADB. Any conditions for participation shall be limited to those that are essential to ensure the firm’s capability to fulfill the contract in question. However, the following considerations will also be taken into account.

(a) Consultants may be excluded if, by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the borrower’s country prohibits any payments to any country, person, or entity. Where the borrower’s country prohibits payments to a particular consultant or
for particular goods by such an act of compliance, that consultant
may be excluded.

(b) Government-owned enterprises or institutions in the borrower’s
country may participate only if they can establish that they (i) are
legally and financially autonomous, (ii) operate under commercial
law, and (iii) are not dependent agencies of the borrower or sub-
borrower.

c) As an exception to (b), when the services of government-owned
universities or research centers in the borrower’s country are of
unique and exceptional nature, and their participation is critical
to project implementation, ADB may agree on the hiring of those
institutions on a case-by-case basis. On the same basis, university
professors or scientists from research institutes can be contracted
individually under ADB financing.

d) Government officials and civil servants may only be hired under
consulting contracts, either as individuals or as members of a team of
a consulting firm, if they (i) are on leave of absence without pay; (ii)
are not being hired by the agency they were working for immediately
before going on leave; and (iii) their employment would not create a
conflict of interest (see para. 1.10).

e) A consultant declared ineligible by ADB in accordance with
subparagraph (d) of para. 1.23 of these Guidelines shall be ineligible
to be awarded an ADB-financed or administered contract during
such period of time as ADB shall determine.

 Associations between Consultants

1.14 Consultants may associate with each other in the form of a joint
venture or of a sub-consultancy agreement to complement their respective
areas of expertise, strengthen the technical responsiveness of their proposals,
and make available bigger pools of experts, provide better approaches and
methodologies, and, in some cases, offer lower prices. Such an association
may be for the long term (independent of any particular assignment) or for a
specific assignment. If ADB or a borrower employs an association in the form
of a joint venture, the association will appoint one of the firms to represent
the association; all members of the joint venture shall sign the contract and
shall be jointly and severally liable for the entire assignment. Borrowers shall
not require consultants to form associations with any specific firm or group of
firms, but may encourage association with qualified national firms.
Advance Contracting and Retroactive Financing

1.15 ADB encourages advance contracting and retroactive financing, where appropriate, to accelerate project implementation. The borrower may wish to proceed, with ADB’s approval, with the selection (though not contracting) of consultants before the loan agreement is signed. In such cases, the selection procedures shall be in accordance with these Guidelines, and ADB shall review the process used by the borrower. A borrower undertakes such advance contracting at its own risk, and any “no objection” issued by ADB with regard to the procedures, documentation, or proposal for award does not commit ADB to make a loan for the project in question. If the contract is signed, reimbursement by ADB of any payments made by the borrower under the contract prior to loan signing is referred to as retroactive financing and is only permitted within the limits specified in the loan agreement. In particular circumstances, advance recruitment action may be applied to recruitment of consultants for ADB TA or delegated TA.

ADB Review, Assistance and Monitoring

1.16 To ensure borrowers comply with these Guidelines, ADB conducts prior reviews for recruitment of loan and delegated TA consultants. Prior reviews require the borrower to make submissions for ADB’s approval at different stage of the recruitment process for all selection methods. The frequency and depth of prior reviews are linked to the capacity of the borrower. Fewer submissions are required from borrowers demonstrating substantial capacity and experience. In particular circumstances, the requirement for prior reviews may be dropped in favor of post-reviews. The requirement, the frequency and depth of prior reviews, and the thresholds for applying post-reviews will be agreed by the borrower and ADB during project preparation and incorporated in the procurement plan (see paras. 1.06 and 1.27).

1.17 Under special circumstances, for example, where an inadequate number of expressions of interest (EOIs) have been received, and in response to a written request from the borrower, ADB may furnish to the borrower long lists of firms that it expects to be capable of undertaking the assignment. The provision of the list does not represent an endorsement of the consultants. The borrower may delete any name or add other names as it wishes; however, the final shortlist shall be submitted to ADB for its approval before the borrower issues the RFP. As appropriate, ADB may take part in discussions between the borrower and consultants and, if necessary, may help the borrower in addressing issues related to the assignment.

Misprocurement

1.18 ADB does not finance expenditures for consulting services if the consultants have not been selected in accordance with the provisions of the
relevant agreement and these Guidelines. If recruitment is not carried out as agreed, ADB will declare misprocurement, and normally cancel that portion of the financing allocated to the services that have been misprocured. In appropriate cases, ADB may permit re-issuing of the RFP after declaring misprocurement. ADB may, in addition, exercise other remedies provided for in the relevant Agreement. Even if a contract is awarded after obtaining a “no objection” from ADB, ADB reserves the right to declare misprocurement if it concludes that the “no objection” was issued on the basis of incomplete, inaccurate or misleading information, or that the terms and conditions of the contract had been substantially modified without ADB’s approval.

References to ADB

1.19 When the project is to be financed wholly or partly by ADB, reference shall be made to ADB in the RFP and contract documents as follows:

“……[name of borrower] …….has received a [loan] [and/or grant] from the [ordinary capital resources or Special Funds resources] of Asian Development Bank toward the cost of [name of project], and intends to apply a portion of the proceeds of this [loan] [grant] to eligible payments under this Contract. The terms and conditions of the contract (contracts) and payments by the Asian Development Bank will be subject to the terms and conditions of the [loan/grant agreement], including the Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers. Except as ADB may specifically otherwise agree, no party other than [name of borrower] shall derive any rights from the [loan/grant agreement] or have any claim to the proceeds of the [loan/grant]”

Capacity Development

1.20 ADB provides capacity building to enhance (i) country capacity and ownership by highlighting the requirement for, and defining approaches to, strengthening DMC recruitment capacity; (ii) borrower recruitment capacity through assessment and implementation of hands-on, stand-alone, and “twinning” training defined in the procurement plan; (iii) development of DMC consulting industries by addressing capacity building requirements at four levels: (a) policy/regulatory level, to promote the role of government to facilitate a business environment conducive to the evolution of the industry, (b) consulting association level, to guide and develop industry training and strong representation, (c) consulting firm level, through, for example, including in the TORs of international firms a requirement to transfer “consulting management” expertise to national firms, and (d) individual consultant level, by creating awareness of consulting industry job opportunities.
Training or Transfer of Knowledge

1.21 If the assignment includes an important component for training or transfer of knowledge to borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall normally be included in the consultant’s contract and in the budget for the assignment.

Language

1.22 Documentation and communication relating to the use of consultants prepared by ADB, the borrower, and consultants shall be in English.

Fraud and Corruption

1.23 ADB’s anticorruption policy requires that borrowers (including beneficiaries of ADB-financed activity), as well as consultants under ADB-financed contracts, observe the highest standard of ethics during the selection process and in execution of such contracts. In pursuance of this policy, in the context of these Guidelines, ADB:

(a) defines, for the purposes of this provision, the terms set forth below as follows:

(i) “corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

(ii) “fraudulent practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

(iii) “coercive practices” means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;

(iv) “collusive practices” means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;

(b) will reject a proposal for an award if it determines that the consultant recommended for the award has directly, or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question;
(c) will cancel the portion of the financing allocated to a contract if it determines at any time that representatives of the borrower of ADB financing engaged in corrupt, fraudulent, collusive, or coercive practices during the consultant selection process or the execution of that contract, without the borrower having taken timely and appropriate action satisfactory to ADB to remedy the situation;

(d) will sanction a party or its successor, including declaring ineligible, either indefinitely or for a stated period of time, such party or successor from participation in ADB-financed activities if it at any time determines that the consultant has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or other prohibited practices in competing for, or in executing, an ADB-financed contract; and

(e) will have the right to require that, in consultant selection documentation and in contracts financed by ADB, a provision be included requiring consultants to permit ADB or its representative to inspect their accounts and records and other documents relating to consultant selection and to the performance of the contract and to have them audited by auditors appointed by ADB.

1.24 With the specific agreement of ADB, a borrower of ADB financing may introduce, into the RFPs for delegated TA or loan projects financed by ADB, an undertaking of the consultants to observe, in competing for and executing a contract, the country’s laws against fraud and corruption (including bribery), as listed in the RFPs. ADB will accept the introduction of such undertaking at the request of the borrower of ADB financing provided the arrangements governing such undertaking are satisfactory to ADB.

1.25 When the contract is to be financed wholly or partly by ADB, the contract documents shall include an undertaking by the consultants that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the consultant selection process or in contract execution.

Performance Evaluation

1.26 ADB believes that past consultant performance should be linked to further business opportunities. ADB and its borrowers implement formal consultant performance evaluations. As part of the evaluation process, the consultant is invited to comment on the performance of the borrower and ADB for delegated TA, loan projects, and TA respectively. The consultant is also given the opportunity to review and comment on the content of the performance evaluation report prepared by the borrower or ADB.
Procurement Plan

1.27 As part of the preparation of loan and/or grant projects, the borrower, in consultation with ADB, shall prepare a procurement plan (“the plan”) covering goods, works and recruitment of consulting services as early as possible, and, in any event, before loan negotiations. For consulting services, the plan will set forth: (i) each particular contract package; (ii) proposed methods for selection of consulting services and type of proposal, and (iii) an overall indicative recruitment schedule and budget for each consulting contract package. Preparation of the plan will increase borrower ownership, including borrower participation in determining consultancy requirements, producing and endorsing TOR, and providing more focus on identification of national consultants. Prior to, or during preparation of the plan, ADB may, for new borrowers, borrowers where capacity is known to be weak, where abbreviated prior reviews or post-reviews are envisaged, or where delegated TA is proposed, assess the capability of the borrower to implement the plan. This assessment will influence the plan by defining the requirement for, and frequency of, prior, and/or post-reviews. Where appropriate, the assessment will also define training to strengthen borrower recruitment capacity. Although the initial plan will be incorporated in the report and recommendation of the President (RRP), this will be a “rolling” plan, updated periodically at reasonable intervals.

II. PROCEDURES

A. Selection Methods

1. Recruitment of Consulting Firm

2.1 In order to (i) provide a wide range of services, (ii) promote streamlining and harmonization, and (iii) reduce administrative complexities and transaction costs, ADB implements a range of selection methods.

a. Quality- and Cost-Based Selection (QCBS)

2.2 QCBS is based on the quality of the technical proposal and the cost of the services to be provided. Since under QCBS the cost of the proposed services is a factor in the selection, this method is appropriate when, (i) the scope of work can be precisely defined, (ii) the TOR are well specified and clear, and (iii) ADB or the borrower and the consultants can estimate with reasonable precision the personnel time as well as the other inputs required of the consultants.

(i) Quality- and Cost-Based Selection Procedure for Loans and Delegated TAs
2.3 The QCBS procedure for loan and delegated TA consultants, when the borrower is responsible, is outlined below and summarized in Appendix 1. Normally, the borrower will be required to make three submissions (prior reviews) for ADB approval: (i) a draft RFP including the shortlist, (ii) a technical proposal evaluation report, and (iii) an overall evaluation and ranking report. However, borrowers with proven capacity are required to make only two submissions: (i) a draft RFP including the shortlist, and (ii) an overall evaluation and ranking report.

a. Preparation of the Terms of Reference

2.4 Before the process of recruitment of a consulting firm starts, the objective and scope of the proposed work, and the functions and duties to be assigned to the consultants should be clearly and adequately defined in the TOR.

b. Cost Estimates (Budget for the Assignment)

2.5 Well-developed cost estimates are essential to ensure realistic budgetary resources are provided. The cost estimates for loan projects shall be prepared by the borrower based on assessment of the resources needed to carry out the assignment: expert time, logistical support, and physical inputs (for example, vehicles, laboratory equipment). Costs shall be divided into two broad categories: (i) remuneration (according to the type of contract used) and (ii) out-of-pocket expenses. The cost of expert time shall be estimated on a realistic basis for international and national personnel.

c. Advertising

2.6 ADB normally lists all loan projects requiring consulting services on ADB's website before shortlisting. To attract EOIs from consulting firms, the borrower, may also advertise in an appropriate national journal, newspaper, or website.

d. Preparation of long list of consultants

2.7 The borrower shall prepare a long list of technically qualified firms. The borrower shall decide whether to include any of these firms on a refined long list and may also add other experienced firms, based on EOIs submitted, to the list.

e. Preparation of shortlist of consultants

2.8 The borrower is responsible for preparation of the shortlist. The borrower shall give first consideration to those firms expressing interest that
Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers

possess the relevant qualifications. Shortlists shall comprise six firms with a wide geographic spread, with no more than two firms from any one country and at least one firm from a developing country, unless qualified firms from developing countries are not identified. ADB may agree to shortlists comprising a smaller number of firms in special circumstances, for example, when only a few qualified firms have expressed interest in the specific assignment or when the size of the contract does not justify wider competition. For the purpose of establishing the shortlist, the nationality of a firm is that of the country in which it is registered or incorporated and, in the case of a joint venture, the nationality of the firm appointed to represent the joint venture. Once ADB has issued a “no objection” to a shortlist, the borrower shall not add or delete names.

2.9 The shortlist may comprise entirely national consultants (firms registered or incorporated in the country), if the assignment is below any ceiling (or ceilings) established in the procurement plan approved by ADB, sufficient qualified firms are available to enable a shortlist of firms with competitive costs to be drawn up, and when competition, including foreign consultants, is prima facie not justified or foreign consultants have not expressed interest. These same amounts will be used in ADB lending operations supporting sector wide approaches (SWAps) (in which government and/or donor funds are pooled) as the threshold below which shortlists will be composed entirely of national firms selected under procedures agreed with ADB. However, if foreign firms express interest, they shall be considered.

f. Preparation and Issuance of the Request for Proposals (RFPs)

2.10 Borrowers shall use the standard RFP. The RFP includes:

- letter of invitation;
- instructions to consultants, including a data sheet and evaluation criteria;
- technical proposal standard forms;
- financial proposal standard forms;
- TOR;
- standard form of contract; and
- list of ADB member countries.

2.11 The borrower shall send RFPs to consultants on the shortlist. The borrower may use an electronic system to distribute the RFP, provided that ADB is satisfied with the adequacy of such system. If the RFP is distributed electronically, the electronic system shall be secure to avoid modifications to the RFP and shall not restrict the access of shortlisted consultants to the RFP.
g. Receipt of Proposals

2.12 Firms shall be required to submit technical and financial proposals in separate sealed envelopes at the same time. Any proposal received after the closing time for submission of proposals will be returned unopened, and no amendments to the technical or financial proposals will be accepted after the deadline.

h. Evaluation of technical proposal

2.13 The evaluation shall be based on the evaluation criteria defined in the instructions to consultants. After the technical quality is evaluated, firms whose technical proposals did not meet the minimum qualifying score of 750 points out of a possible 1,000 points, or were considered non-responsive to the invitation requirements, will be advised and their financial proposals will be returned unopened. Firms that have secured the minimum qualifying technical score will be advised of the location, date, and time for opening of financial proposals.

i. Public opening of financial proposals

2.14 The borrower shall then inform the firms whose technical proposals scored 750 points or more of the time and place where the borrower will publicly open their financial proposals. The name of the firms, the technical quality scores, and the proposed prices shall be announced, and recorded when the financial proposals are opened.

j. Evaluation of financial proposal

2.15 The borrower shall then review the congruency of the technical and financial proposals, make adjustments as appropriate, and correct arithmetical or computational errors.

k. Ranking of proposals

2.16 The total score shall be obtained by weighting and adding the technical and financial scores; this will determine the overall ranking of the consultants’ proposals. The weight for technical quality will be 80%; the weight for cost will be 20%.

l. Negotiations

2.17 The borrower shall then negotiate a contract with the first ranked firm. Negotiations will include discussions of the TOR, the methodology, personnel schedule, the borrower’s counterpart facilities and the quantities
of cost items in the firm’s financial proposal. However, these discussions will not substantially alter the TOR attached to the invitation. The selected firm should not be allowed to substitute experts, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. Proposed unit rates for remuneration shall not be altered and other expenses shall not be negotiated since unit rate cost has been a factor in the selection process. Successful negotiations conclude with signing of the contract. Financial negotiations shall include clarification of the consultant’s tax liability in the borrower’s country (if any) and how this tax liability has been or would be reflected in the contract. If the borrower and the firm cannot reach agreement, the borrower may terminate the negotiations with ADB’s prior agreement and start negotiations with the next ranked firm until an agreement is reached. The borrower shall send a copy of the signed contract to ADB for its records.

m. Publication of the Award of Contract

2.18 After the award of contract, the borrower shall provide ADB with the following information which ADB shall publish on ADB’s website: (i) the names of all consultants who submitted proposals, (ii) the technical points assigned to each consultant, (iii) the offered prices of each consultant, (iv) the overall ranking of the consultants, and (v) the name of the winning consultant and the contract sum.

n. Debriefing

2.19 In the publication of award of contract the borrower shall specify that if any consultant who submitted a proposal wishes to ascertain the reasons why its proposal was not selected, such consultant should request an explanation from the borrower. The borrower shall promptly provide an explanation as to why its proposal was not selected.

o. Rejection of All Proposals and Reinvitation

2.20 The borrower will be justified in rejecting all proposals only if all proposals are non-responsive because they present major deficiencies in complying with the TOR or if they involve costs substantially higher than the original estimate. In the latter case, the feasibility of increasing the budget, or scaling down the scope of the services with the firm should be investigated in consultation with ADB. Before all proposals are rejected and new proposals are invited, the borrower shall notify ADB, indicating the reasons for rejection of all proposals, and shall obtain ADB’s “no objection” before proceeding with the rejection and the new process. The new process may include revising the RFP (including the shortlist) and the budget. These revisions shall be agreed upon with ADB.
p. Confidentiality

2.21 Information relating to evaluation of proposals and recommendations concerning awards shall not be disclosed to the consultants who submitted the proposals or to other persons not officially concerned with the process until the publication of the award of contract, except as provided in paras. 2.14 and 2.16 above.

(ii) Quality- and Cost-Based Selection Procedures for Technical Assistance

2.22 The procedure for TA is similar to that for loan and delegated TA consultants and is summarized in Appendix 1.

b. Quality-Based Selection (QBS)

2.23 Quality-based selection (QBS) is a method based on evaluating only the quality of the technical proposals and the subsequent negotiation of the financial proposal and the contract with the consultant who submitted the highest ranked technical proposal. QBS is appropriate when (i) assignments are complex or highly specialised making it difficult to define precise TOR and the required input from the consultants, (ii) assignments where the downstream impact is so large that the quality of the services is of overriding importance for the outcome of the project, and (iii) assignments that can be carried out in substantially different ways such that financial proposals may be difficult to compare.

(i) Quality-Based Selection for Loan and Delegated TAs

2.24 Generally, when QBS is used, as price will not be used as a selection criterion, the RFP will request firms to submit a technical proposal only. Using the same methodology as in QCBS for evaluation and ranking of the consultants’ technical proposal, the borrower shall request the consultant with the highest ranked technical proposal to submit a detailed financial proposal, including supporting documentation that may be subject to audit. The borrower and the consultant shall then negotiate the financial proposal and the contract. All other aspects of the selection process shall be identical to those of QCBS, including the publication of the award of contract except that only the cost of the winning firm is published. During the process all borrowers shall be required to make two submissions (prior reviews) for ADB approval (i) shortlist, and (ii) final ranking. The procedure is summarised in Appendix 1.

(ii) Quality-Based Selection for TAs

2.25 The procedure for TA is similar to that for loan and delegated TA consultants and is summarised in Appendix 1.

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c. Fixed Budget Selection (FBS)

2.26 Fixed budget selection (FBS) is appropriate only when (i) the TOR are precisely defined, (ii) the time and personnel inputs can be accurately assessed, and (iii) the budget is fixed and cannot be exceeded. To reduce the financial risk for consultants and avoid receiving unacceptable technical proposals or no proposals at all, this method can only be used for well-defined TA projects or projects where it is expected there will be no changes during implementation. Shortlists for FBS will normally comprise six firms with a reasonable geographic spread. The RFP shall indicate the available budget, define the “minimum” qualifying mark for the “quality” as 750 points out of a possible 1,000 points, and request firms to submit their best technical and financial proposals in separate envelopes, at the same time, and within the budget. Evaluation of all technical proposals shall be carried out first. Then the financial proposals of firms meeting the “minimum” qualifying mark shall be opened in public and prices shall be announced. Proposals that exceed the indicated budget shall be rejected. The consultant who has submitted the highest ranked technical proposal among the remaining proposals shall be selected and invited to negotiate. Should negotiations fail, the borrower or ADB shall start negotiations with the next ranked firm until an agreement is reached.

d. Least-Cost Selection (LCS)

2.27 Least-cost selection is only appropriate for selecting consultants for very small assignments, of a standard or routine nature (audits, engineering design/supervision of simple projects, and simple surveys) where well-established practices and standards exist. Shortlists for LCS will normally comprise three firms with a reasonable geographic spread. The RFP shall define the “minimum” qualifying mark for the “quality” as 750 points out of a possible 1,000 points, and request the firms to submit at the same time technical and financial proposals in separate envelopes. Technical proposals will be opened first and evaluated. Those securing less than the minimum qualifying mark will be rejected, and the financial proposals of the rest will be opened in public. The firm with the lowest price shall then be selected and invited to finalize the contract. Should negotiations fail, the borrower or ADB shall start negotiations with the next ranked firm until an agreement is reached.

e. Consultants’ Qualifications Selection (CQS)

2.28 This method may be used for small assignments where (i) highly specialized expertise is required for the assignment and recruitment of “boutique” consulting firms that provide depth of expertise in specific areas is contemplated; (ii) recruitment time is critical and the assignment is, typically, short-term; (iii) few consultants are qualified; and (iv) the preparation and evaluation of competitive proposals is not justified. The borrower or ADB
shall (i) prepare the TOR, (ii) request amplified EOI s and information on
the consultants’ experience and competence relevant to the assignment,
(iii) establish a shortlist of at least three firms, and (iv) select the firm with
the most appropriate qualifications and references based on the EOI s. The
selected firm shall be asked to submit a combined technical-financial proposal
and then be invited to negotiate the contract. Should negotiations fail, the
borrower or ADB shall start negotiations with the next ranked firm until an
agreement is reached.

f. **Single Source Selection (SSS)**

2.29 Single-source selection (SSS) of consultants does not provide the
benefits of competition in regard to quality and cost, lacks transparency in
selection, and could encourage unacceptable practices. Therefore, single-
source selection shall be used only in exceptional cases. The justification for
SSS shall be examined in the context of the overall interests of the client and
the project, and ADB’s responsibility to ensure economy and efficiency and
provide equal opportunity to all qualified consultants.

2.30 SSS may be appropriate only if it presents a clear advantage over
competition: (a) for tasks that represent a natural continuation of previous
work carried out by the firm (see next paragraph), (b) in emergency cases, such
as in response to disasters, (c) for very small assignments, or (d) when only one
firm is qualified or has experience of exceptional worth for the assignment.

2.31 When continuity for downstream work is essential, the initial RFP shall
outline this prospect, and, if practical, the factors used for the selection of the
consultant shall take the likelihood of continuation into account. Continuity
in the technical approach, experience acquired, and continued professional
liability of the same consultant may make continuation with the initial
consultant preferable to new competition subject to satisfactory performance
in the initial assignment. For such downstream assignments, the borrower shall
ask the initially selected consultant to prepare technical and financial proposals
on the basis of TOR furnished by the borrower, which shall then be negotiated.
If the initial assignment was not awarded on a competitive basis, or if the
downstream assignment is substantially larger in value, a competitive process
acceptable to ADB shall normally be followed in which the consultant carrying
out the initial work is not excluded from consideration if it expresses interest.
ADB will consider exceptions to this rule only under special circumstances and
only when a new competitive process is not practicable.

2.32 When a borrower or ADB proposes to use SSS, ADB’s mission includes
the proposed procedures in the TA paper, and RRP. The borrower or ADB
requests the consultant to submit a biodata technical proposal (BTP) and a
financial proposal at the same time. ADB or a borrower review the BTP to make
sure that it is adequate and negotiate a contract with the firm or individual.
g. Commercial Practices

2.33 In the case of loans on-lent by a financial intermediary to private sector enterprises or autonomous commercial enterprises in the public sector, the sub-borrower may follow well-established private sector or commercial practices that have been determined by ADB to be acceptable to it. Consideration shall also be given to the use of competitive procedures outlined earlier, particularly for large assignments.

2. Recruitment of Individual Consultant

2.34 For some assignments, individual consultants are more appropriate and cost-effective than firms. Individual consultants may be recruited directly (independent individual) or through an organization, such as a consulting firm, an academic institution, a government, or an international agency by a borrower or ADB. The procedures for selection are simpler than those for selecting international and national consulting firms. Individual consultants are recruited on the basis of their qualifications for the assignment. When the borrower recruits individual international and national consultants for loan projects, agreements are reached as early as possible and in any case before loan negotiations on (i) the type of consultant best suited for the assignment, (ii) the applicable procedure. Typically, the borrower will recruit them in accordance with government procedures acceptable to ADB. For TA, the procedure for recruitment is dependent on the complexity of the TOR, and the duration of the assignment.

3. Recruitment of Particular Types of Consultant

a. Staff Consultant

2.35 ADB shall define the requirements and prepare the TOR for a staff consultant. ADB shall review expressions of interest submitted and the data on individual consultants (DICON) for suitable candidates and, if necessary, ask organizations or consulting firms for nominations.

b. Resource Persons

2.36 Resource persons may not be engaged for more than 10 working days but may be recruited using single source selection.

c. UN and other Specialized Agencies

2.37 UN and other similar specialized agencies may be hired as the consultants, where they are qualified to provide technical assistance and advice in their area of expertise. However, they shall not receive any preferential
Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers

treatment in a competitive selection process, except that borrowers may accept
the privileges and immunities granted to UN agencies and their staff under
existing international conventions and may agree with UN agencies on special
payment arrangements required according to the agency’s charter, provided
these are acceptable to the ADB. To neutralize the privileges of UN Agencies,
as well as other advantages such as tax exemption and facilities, and special
payment provisions, the QBS method shall be used. UN agencies may be hired
on a single-source selection basis if the criteria outlined in para. 2.29 of these
Guidelines are fulfilled.

d. Nongovernment Organizations (NGOs)

2.38 To improve the effectiveness, quality, and sustainability of its
operations ADB cooperates with a range of international and national NGOs.
Large international NGOs are sometimes included in shortlists for TA and loan
consultants providing ADB or a borrower find their qualifications satisfactory.
Simplified recruitment procedures and contracting arrangements will be
applied for smaller (particularly national) NGOs. Where international NGOs
are included with consulting firms on shortlists for TA or loan consultants,
the QBS method will be used. Where TA projects or loan projects require
in-depth knowledge of local issues, community needs, and/or participatory
approaches for which either international or national NGOs are clearly better
qualified, the short list may entirely comprise NGOs and the selection method
will be QCBS. Where national NGOs are being recruited either for a TA or loan
project, ADB may apply a modified (simplified) QCBS recruitment procedure
to reflect the capacity of the competing NGOs where evaluation criteria
reflect the unique qualifications of NGOs including: (i) history of work with
local communities and evidence of satisfactory performance, (ii) familiarity
with participatory development approaches, (iii) committed leadership and
adequate management, and (iv) capacity to co-opt beneficiary participation.
ADB or its borrower may select the NGO by Single Source Selection, provided
the criteria outlined in para. 2.29 of these guidelines are fulfilled.

e. Procurement Agents (PAs)

2.39 When a borrower lacks the necessary organization, resources, or
experience, it may be efficient and effective for it to employ, as its agent, a
firm that specializes in handling procurement. When PAs are specifically used
as “agents” handling the procurement of specific items and generally working
from their own offices, they are usually paid a percentage of the value of the
procurements handled, or a combination of such a percentage and a fixed fee.
In such cases PAs shall be selected using QCBS procedures with cost being
given a weight up to 50%. However, when PAs provide only advisory services for
procurement or act as “agents” for a whole project in a specific office for such
project they are usually paid on a time basis, and in such cases, they shall be selected following the appropriate procedures for other consulting assignments using QCBS procedures and time-based contract, specified in these Guidelines. The agent shall follow all the procurement procedures outlined in the loan agreement and in the procurement plan approved by ADB on behalf of the borrower, including the use of RFP, review procedures, and documentation.

f. Inspection Agents

2.40 Borrowers may wish to employ inspection agencies to inspect and certify goods prior to shipment or on arrival in the borrower country. The inspection by such agencies usually covers the quality and quantity of the goods concerned and reasonableness of price. Inspection agencies shall be selected using QCBS procedures giving cost a weight up to 50% and using a contract format with payments based on a percentage of the value of goods inspected and certified.

g. Banks

2.41 Investment and commercial banks, financial firms, and fund managers hired by borrowers for the sale of assets, issuance of financial instruments, and other corporate financial transactions, notably in the context of privatization operations, shall be selected under QCBS. The RFP shall specify selection criteria relevant to the activity—for example, experience in similar assignments or network of potential purchasers—and the cost of the services. In addition to the conventional remuneration (called a “retainer fee”), the compensation includes a “success fee”; this fee can be fixed, but is usually expressed as a percentage of the value of the assets or other financial instruments to be sold. The RFP shall indicate that the cost evaluation will take into account the success fee, either in combination with the retainer fee or alone. If alone, a standard retainer fee shall be prescribed for all short-listed consultants and indicated in the RFP, and the financial scores shall be based on the success fee. For the combined evaluation (notably for large contracts), cost may be accorded a weight higher than recommended in para. 2.16 or the selection may be based on cost alone among those who secure a minimum passing mark for the quality of the proposal. The RFP shall specify clearly how proposals will be presented and how they will be compared.

h. Auditors

2.42 Auditors typically carry out auditing tasks under well-defined TOR and professional standards. They shall be selected according to QCBS giving cost a weight of up to 50% or by the “Least-Cost Selection” outlined in para. 2.27. For very small assignments CQS may be used.
i. Service Delivery Assignments

2.43 Projects requiring support services, e.g. training, the design or production of project training materials or promotional materials or videos, and planning and implementing workshops or seminars may involve hiring individuals or specialist organizations that deliver services on a contract basis. The TOR will be prepared. A lump sum contract (see para. 2.48) is typically the most appropriate mechanism for engaging the service provider.

B. Contracting Methods

2.44 Selection of the type of contract will be dependent on (i) the nature of the assignment, (ii) whether the scope and output are definable, and (iii) the distribution of risks between the concerned parties.

1. Time-based Contract

2.45 Time-based contract is used when it is difficult to define the scope, output, and the length of the services, either because the services are related to and await completion of activities by others for which the completion period may vary, or because the input of the consultants is difficult to assess. This type of contract will be used for complex studies, supervision of construction, advisory services, and most training assignments. Payments are linked to inputs and are usually based on monthly rates for personnel named in the contract), and on reimbursable expenses using actual expenses and/or an agreed unit rate.

2. Retainer and/or Contingency (Success) Fee Contract

2.46 Retainer and contingency fee contract is widely used when consultants (banks or financial firms) are preparing companies for sales or mergers of firms, notably in privatization operations. The remuneration of the consultant includes a retainer and a success fee, the latter being normally expressed as a percentage of the sale price of the assets.

3. Indefinite Delivery Contract (Price Agreement)

2.47 This contract is used when borrowers need to have “on call” specialized services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance. This is commonly used to retain “advisers” for implementation of complex projects (for example, dam panel), expert adjudicators for dispute resolution panels, institutional reforms, procurement advice, technical troubleshooting, and so forth, normally for a period of a year or more. The borrower and the firm agree on the unit rates to be paid for the experts, and payments are made on the basis of the time actually used.
4. **Lump Sum (LS) Contract**

2.48 Lump sum contract is used for assignments in which the content, duration of services and the required output of the consultants are clearly defined. This includes simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, service delivery assignments, and preparation of data processing systems. Prices shall include all costs and cannot be negotiated. Payments are linked to outputs, such as reports, drawings, bill of quantities, bidding documents, and software programs.

5. **Performance-based Contract**

2.49 A performance-based contract is used to enhance the delivery of consulting services outputs, thereby improving value-for-money. Payments to the consultant are triggered on achievement of selected milestones signifying that certain project deliverables (e.g., an outcome or outputs defined in the project design and monitoring frameworks) have been completed or achieved. Contract milestones need to be clearly specified, sufficient in number to enable effective monitoring and verifiable. Selection of milestones and the indicators for verifying achievement of milestones are agreed with the consultant and/or the borrower at the time of contract negotiations. The ease with which milestones can be verified depends upon the nature of the project. Verification can be relatively straightforward in a construction project, but quite difficult for institutional strengthening projects. In the case of the latter, a compromise, combining principles of time- and performance-based contracts, will be applied. In this case a percentage of contract payments to the consultant is based on completed inputs, and a percentage based on achievement, often in the latter part of a contract, of one or more “strategic” milestones.

C. **Important Contract Provisions for Loans**

2.50 Contracts should include provisions for the following items.

1. **Currency**

2.51 RFPs shall clearly state that firms may express the price for their services, in any fully convertible currency of an ADB member country. If the consultants wish to express the price as a sum of amounts in different foreign currencies, they may do so, provided the proposal includes no more than three foreign currencies. The borrower may require consultants to state the portion of the price representing costs in the currency of the borrower’s country. Payment under the contract shall be made in the currency or currencies in which the price is expressed in the proposal.
2. Price Adjustment

2.52 To adjust the remuneration for foreign and/or local inflation, a price adjustment provision shall be included in the contract if its duration is expected to exceed 18 months. Contracts of a shorter duration may include a provision for price adjustment when local or foreign inflation is expected to be high and unpredictable.


2.53 Payment provisions, including amounts to be paid, schedule of payments, and payment procedures, shall be agreed upon during negotiations. Payments may be made at regular intervals (as under time-based contracts) or for agreed outputs (as under lump sum contracts). Payments for advances (for example, for mobilization costs) exceeding 10% of the contract amount should normally be backed by advance payment guarantees.

2.54 Payments shall be made promptly in accordance with the contract provisions. To that end:

(a) consultants can be paid directly by ADB at the request of the borrower or exceptionally through a letter of credit;

(b) only disputed amounts shall be withheld, with the remainder of the invoice paid in accordance with the contract; and

(c) the contract shall provide for the payment of financing charges if payment is delayed due to the client’s fault beyond the time allowed in the contract; the rate of charges shall be specified in the contract.

4. Advance Payment Guarantee

2.55 For loan consultant contracts, the borrower may request the consultant to provide an advance payment guarantee against the amount advanced by the borrower.

5. Borrower’s Contribution

2.56 The borrower may assign members of its own professional staff to the assignment in different capacities. The contract between the borrower and the consultant shall give the details governing such staff, known as counterpart staff, as well as facilities that shall be provided by the borrower, such as housing, office space, secretarial support, utilities, materials, and vehicles. The contract shall indicate measures the consultant can take if any of the items cannot be provided or have to be withdrawn during the assignment, and the compensation the consultant will receive in such a case.
6. Conflict of Interest

2.57 ADB considers a conflict of interest to be a situation in which a party has interests that could improperly influence that party’s performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations and that such conflict of interest may contribute to or constitute a prohibited practice under ADB’s anticorruption policy. In pursuance of the anticorruption policy’s requirement that borrowers (including beneficiaries of ADB-financed activity) as well as consultants under ADB-financed contracts observe the highest standard of ethics, ADB will take appropriate actions to manage such conflicts of interest and may reject a proposal for award if it determines that a conflict of interest has flawed the integrity of any consultant selection process. The contract shall include provisions limiting future engagement of the consultant for other services resulting from or directly related to the firm’s consulting services in accordance with the requirements of para. 1.11 of these Guidelines.

7. Professional Liability

2.58 The consultant is expected to carry out assignments with due diligence and in accordance with prevailing standards of the profession. As the consultant’s liability to the borrower will be governed by the applicable law, the contract need not deal with this matter unless the parties wish to limit this liability. If they do so, they should ensure that (a) there must be no such limitation in case of the consultant’s gross negligence or willful misconduct; (b) the consultant’s liability to the borrower may in no case be limited to less than a multiplier of the total value of the contract to be indicated in the RFP and in the special conditions of the contract (the amount of such limitation will depend on each specific case); and (c) any such limitation may deal only with the consultant’s liability toward the client and not with the consultant’s liability toward third parties.

8. Personnel Substitution

2.59 During an assignment, if substitution is necessary (for example, because of ill health, death, or because a staff member proves to be unsuitable), the consultant shall propose other experts of at least the same level of qualifications for approval by the borrower.

9. Applicable Law and Settlement of Disputes

2.60 The contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. Consultants’ contracts shall always include a clause for settlement of disputes. International commercial arbitration may have practical advantages over other methods for the settlement
of disputes. Borrowers are, therefore, encouraged to provide for this type of arbitration. ADB shall not be named an arbitrator or be asked to name an arbitrator.

D. Monitoring and Evaluating Performance

Monitoring the Recruitment Process

2.61 ADB applies a monitoring tool, consultant recruitment activity monitoring (CRAM), that subdivides the recruitment process for loan consultants and TA into activities and assigns “norms” (working days) to compute target dates for each activity and the overall process. CRAM also assigns accountability to those involved to (a) implement activities, (b) monitor actual against target dates, and, where appropriate, (c) take timely actions. CRAM is adaptable for (a) different selection methods, and (b) types of technical proposal.

Performance Evaluation

2.62 The borrower evaluates the performance of consulting firms and individual consultants for loan and delegated TA consultants. ADB, in consultation with the borrower, evaluates consultant performance for TA. Depending on the assignment duration, evaluation may be conducted during, as well as on completion of, the assignment. Through a post-assignment questionnaire, the consultant has the opportunity to comment on the evaluation report and on the performance of the borrower and ADB. At contract negotiations, the borrower or ADB gives the negotiating consultant a copy of the performance evaluation form, and the post-assignment questionnaire to be completed by the consultant; the procedures for processing the performance evaluation report and the post-assignment questionnaire are explained. On completion of the assignment, the borrower or ADB prepares a confidential report that explains its overall ratings, particularly any low ratings. If the firm’s performance is later found to be poor, the report could be used to support any restrictions or other sanctions. The consultant is given the opportunity to comment on the findings of the performance evaluation and on the performance of the borrower and ADB. ADB maintains files on the performance of consulting firms and individual consultants and checks these records at the time of TA and loan consultant shortlisting.
SUMMARY OF QUALITY- AND COST-BASED SELECTION (QCBS) AND QUALITY-BASED SELECTION (QBS) PROCEDURES

Table A1: QCBS Procedure

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<td>Preparation of the TOR and cost estimates</td>
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<td>(iii)</td>
<td>Preparing a long list of consultants</td>
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<td>Preparation of the RFP and shortlist of consultants</td>
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<td>(xiii)</td>
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Debriefing


Source: ADB estimates.
a EAs with proven capacity (see para. 1.27 and 2.03)
Table A2: QBS Procedure

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<td>(v)</td>
<td>Issuing the RFP</td>
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**ADB** = Asian Development Bank, **QBS** = quality-based selection, **RFP** = request for proposal, **TA** = technical assistance, **TOR** = terms of reference.

Source: ADB estimates.
GUIDANCE TO CONSULTANTS FOR LOAN PROJECTS

Purpose

1.1 This appendix provides guidance to consultants wishing to provide consulting services for loan projects financed by the Asian Development Bank (ADB) and through ADB-administered funds.

Responsibility for Selection of Consultants

1.2 (i) The responsibility for the implementation of the project, and therefore for the payment of consulting services under the project, rests solely with the borrower for loan projects. ADB, for its part, ensures that funds are paid from a loan only as expenditures are incurred.

(ii) Disbursements of the proceeds of a loan are made only at the borrower’s request. Supporting evidence that the funds are used in accordance with the loan agreement shall be submitted with the borrower’s withdrawal application. Payment may be made (a) to reimburse the borrower for payment(s) already made from its own resources, or (b) directly to a third party (i.e., to the consultant).

(iii) As emphasized in these Guidelines, the borrower is responsible for the recruitment of loan consultants. It invites, receives, and evaluates proposals and awards the contract. The contract is between the borrower and the consultant. ADB is not a party to the contract.

ADB’s Role

1.3 (i) As stated in these Guidelines, ADB reviews the request for proposal (RFP), including the shortlist, the technical evaluation of proposals, award recommendations and contract to ensure that the process is carried out in accordance with agreed procedures, as required by the loan agreement and the procurement plan. For all contracts requiring prior reviews, ADB assesses submissions by the borrower before they are issued.

(ii) If at any time in the selection process (even after the award of contract) ADB concludes that the agreed procedures were not followed in any substantial respect, ADB may declare
misprocurement, as described in para. 1.18 of the Guidelines. However, if a borrower has awarded a contract after obtaining ADB’s “no objection,” ADB will declare misprocurement only if the “no objection” was issued on the basis of incomplete, inaccurate, or misleading information furnished by the borrower.

(iii) Furthermore, if ADB determines that corrupt, fraudulent, collusive, coercive or other prohibited practices were engaged in by representatives of the borrower or of the consultant, ADB may impose the applicable sanctions set forth in paragraph 1.23(d) of the Guidelines.

(iv) ADB publishes standard RFPs and contracts for different types of consulting services. It is mandatory for the borrower to use these documents, with minimum changes acceptable to ADB to address project-specific issues. The borrower finalizes and issues these documents as part of the RFP.

Information on Consultant Services

1.4 (i) Information on consultant services, including a brief description of the nature of services, timing, estimated cost, and person-months, will be, in the first instance, listed for a minimum 30 days on ADB’s website before shortlisting.

(ii) After the award of TA and loan consultant contracts, ADB shall publish on its website the following information: (a) the names of all consultants who submitted proposals; (b) the technical points assigned to each consultant; (c) the overall ranking of the consultants; (d) the name of the winning consultant and the cost, duration, and summary scope of the contract.

Consultants’ Role

1.5 (i) When consultants receive the RFP and if they can meet the requirements of the TOR and the commercial and contractual conditions, they should make the arrangements necessary to prepare a responsive proposal (for example, visiting the country of the assignment, seeking associations, collecting documentation, setting up the preparation team). If the consultants find in the RFP documents—especially in the selection procedure and evaluation criteria—any ambiguity, omission or internal contradiction, or any feature that is unclear or that appears discriminatory or restrictive, they should seek clarification from the borrower, in writing, within
the period specified in the RFP for seeking clarifications. In this connection, it should be emphasized that the specific RFP issued by the borrower governs each selection. If consultants feel that any of the provisions in the RFP are inconsistent with the Guidelines, they should also raise this issue with the borrower.

(ii) Consultants should ensure that they submit a fully responsive proposal including all the supporting documents requested in the RFP. It is essential to ensure accuracy in the curriculum vitae (CV) of experts submitted with the proposals. The CV shall be signed and dated confirming the content accuracy of the CV, and availability of the expert. Noncompliance with important requirements will result in rejection of the proposal. Once technical proposals are received and opened, consultants shall not be required nor permitted to change the substance, experts, and so forth. Similarly, once financial proposals are received, consultants shall not be required or permitted to change the quoted fee and so forth, except at the time of negotiations carried out in accordance with the provisions of the RFP. If an extension of validity of proposals was the reason that experts were not available, a change of expert with equivalent or better qualification might be possible.

Confidentiality

1.6 As stated in the Guidelines, para. 2.21, the process of proposal evaluation shall be confidential until the publication of the contract award, except for the disclosure of the technical points as indicated in para. 2.13, and disclosure of financial information at the public opening of financial proposals, see para. 2.14. Confidentiality enables the borrower and ADB reviewers to avoid either the reality or the perception of improper interference.

Complaints during the Recruitment Process

1.7 If, during the recruitment process, consultants wish to bring information with respect to the integrity of the selection process to the notice of the borrower, ADB, or both, they should do so in writing through the borrower, or they may write to ADB directly if the borrower does not respond promptly or if the communication is a complaint against the borrower.

Debriefing after Contract Award

1.8 If after contract award, a consultant wishes to ascertain the grounds on which its proposal was not selected, it should address its request to the borrower. If the consultant is not satisfied with the explanation given the consultant may write directly to ADB.
CODE OF CONDUCT

This Code of Conduct has been adopted by the Board of Directors of the Asian Development Bank to set forth principles and ethical standards for the Directors, Alternate Directors and Temporary Alternate Directors and the President in connection with, or having a bearing upon, their status and responsibilities in the Asian Development Bank. As the Directors, Alternate Directors and the President are entrusted with responsibilities as prescribed in the Charter, By-Laws, and related documents of the Asian Development Bank, their personal and professional conduct must comply with the standards and procedures set forth herein.

1. Definitions

For purposes of this Code of Conduct, the following terms shall have the meanings set forth below:

(a) “ADB” shall refer to the Asian Development Bank.
(b) “Alternate Directors” shall refer to both the Alternate Directors and the Temporary Alternate Directors of the Asian Development Bank, unless otherwise specified.
(c) “Charter” shall refer to the Agreement Establishing the Asian Development Bank.
(d) “Code” shall refer to this Code of Conduct.
(e) “Immediate family members” means spouse plus dependants, where dependants shall have the same meaning for purposes of this Code as is used for purposes of benefits provided by ADB to the Directors and Alternate Directors, as such definition may be amended from time to time for the purpose of such benefits.
(f) “Short-term trading” shall mean any combination of the buying and selling of securities within six months; and the buying and selling of a right or obligation to buy or sell securities shall be treated as buying or selling the securities.

2. Application

(a) This Code shall take effect 60 days after date of adoption of Board of Directors with respect to conduct arising or occurring on or after that date, and shall supersede the Code of Conduct adopted by the Board of Directors on 19 April 2001.

(b) The provisions set forth in this Code shall apply to all Directors, Alternate Directors, and to the President, as specified herein. The provisions shall apply to Temporary Alternate Directors only when they are acting in such capacity.
3. Basic Standard of Conduct

(a) Directors, Alternate Directors and the President shall carry out their responsibilities as prescribed in the Charter, By-Laws, and related documents of ADB to the best of their ability and judgment, and shall maintain the highest standards of integrity in their personal and professional conduct and observe principles of good governance. In this connection, the Directors, Alternate Directors and the President note certain relevant provisions of the Charter and, in particular, the requirement that the ADB, its President, Vice-Presidents, and staff members shall not interfere in the political affairs of any member country, nor be influenced in their decisions by the political character of the member country concerned, and that only economic considerations shall be relevant to their decisions. In addition, the Directors note the requirement that all member countries respect the international character of the duty of the President, Vice-Presidents, and staff members to ADB and refrain from all attempts to influence them in the discharge of their duties. They also note the requirement under the By-Laws of the ADB that it is their duty to devote to the activities of ADB such time and attention as the interest of ADB may require.

(b) Directors, Alternate Directors and the President shall observe the laws of each jurisdiction in which they are present pursuant to their duties so as not to be perceived as abusing the privileges and immunities conferred upon ADB and upon them. This provision does not abrogate or waive any diplomatic immunities which may be held by Directors, Alternate Directors and the President.

4. Conflicts of Interest

(a) In performing their duties, Directors, Alternate Directors and the President shall carry out their responsibilities to the exclusion of any personal advantage.

(b) Directors, Alternate Directors and the President shall endeavor to avoid any situation involving an actual conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. If an actual conflict arises, the Director, Alternate Director or President concerned shall promptly refer the matter in writing to the Chair of the Ethics Committee described in Section 10 below and shall withdraw from attendance or participation in deliberations or decision-making connected with that matter. If an appearance of conflict arises, or if there is doubt whether a conflict, actual or apparent, exists, the Director, Alternate Director
or President concerned shall promptly refer the matter in writing to the Chair of the Ethics Committee for guidance.

5. Personal Financial Affairs

Except within the limits specified in this Paragraph, Directors, Alternate Directors and the President shall avoid having any financial interest in transactions of the ADB or in projects or enterprises involving the ADB. A Director, Alternate Director or the President may acquire for investment purposes and subsequently sell securities issued by ADB but shall not engage in short-term trading in such securities. A Director, Alternate Director or the President shall not use any information not generally available to the public to further their private interests or those of any other person or entity, including through the acquisition or sale of securities issued by the ADB or any other transaction. The provisions of this Paragraph shall apply also to the Directors’, Alternate Directors’ and President’s immediate family members, but without prejudice to the application of ADB’s spousal employment policies.

6. Future Employment

(a) When negotiating for, or entering into an arrangement concerning, prospective employment outside the ADB for themselves or for their immediate family members, Directors, Alternate Directors and the President shall not allow such circumstances to influence the performance of their duties.

(b) Directors and Alternate Directors shall not seek, apply for, or take up appointment as an ADB staff member, engagement as an ADB consultant, or any other work remunerated by ADB, while serving as Directors or Alternate Directors, or within one year following the end of such service. The provisions of this Paragraph 6(b) shall not apply to Temporary Alternate Directors.

7. Disclosure of Information

(a) Directors, Alternate Directors and the President shall at all times observe the applicable policies of the ADB regarding disclosure of information.

(b) Directors, Alternate Directors and the President shall protect the security of any information obtained in the performance of their duties that is not otherwise available to the public and, except as required to perform their duties as Directors, Alternate Directors or President, shall not use such information or disclose it to others. The provisions of this Paragraph 7(b) shall continue to apply to Directors,
Alternate Directors and President, without limitation, after their terms of service have expired.

(c) Directors and Alternate Directors shall make clear in what capacity they are speaking when issuing public statements relating to ADB. The President may speak on behalf of the Board of Directors in the capacity as Chair of the Board; Directors or Alternate Directors may only speak on behalf of the Board of Directors with its agreement.

(d) The provisions of this Section 7 shall not limit the provision of information by Directors and Alternate Directors to their sending authority(ies) and other members of their constituency(ies), as appropriate, as may be required in the course of carrying out their duties as Directors and Alternate Directors.

8. Gifts and Entertainment

In regard to acceptance of favors, gifts, and entertainment from persons having dealings with ADB, Directors, Alternate Directors and the President shall exercise tact and judgment to avoid the appearance of improper influence on the performance of their official duties. The ordinary courtesies of international business and diplomacy may be accepted, but gifts, favors, and entertainment, as well as loans and other services, shall not be accepted unless they are of insignificant monetary value. Any gift that is accepted on the basis of the Director’s, Alternate Director’s or President’s judgment that refusal to accept would offend or embarrass the gift-giver or ADB shall be promptly turned over to ADB for charitable donation, display on the premises, or independent appraisal on the basis of which the Director, Alternate Director or President may be allowed to purchase the gift.

9. Conduct Within the Institution

Directors, Alternate Directors and the President shall treat their colleagues and staff with courtesy and respect. Directors, Alternate Directors and the President shall exercise adequate control and supervision over matters for which they are individually responsible and the resources for which they are entrusted, and shall know and observe the budgetary standards and restrictions regarding their offices. Directors, Alternate Directors and the President shall ensure that property and services of ADB are used by themselves and persons in their offices only for the official business of ADB.

10. Ethics Committee

As soon as possible after this Code has taken effect, the Board of Directors shall establish an Ethics Committee to assist it to address matters relating
to the application of this Code, as requested by the Board of Directors or as required under this Code or the Ethics Committee and Procedures. The Board of Directors shall adopt procedures for use by the Ethics Committee. Members of the Ethics Committee shall not be subject to direction, shall respect the confidentiality of its proceedings, and shall seek to establish the facts and exercise informed balanced judgment in their consideration of matters dealt with by the Ethics Committee.

**ETHICS COMMITTEE AND PROCEDURES**

The Board of Directors of the Asian Development Bank (“ADB”) hereby establishes a committee to address ethics matters (the “Ethics Committee”) and adopts the following procedures to take effect 60 days after date of adoption by the Board of Directors. These procedures shall apply to ethics matters concerning Directors, Alternate Directors, and Temporary Alternate Directors in respect of their duties as such in order to ensure sound governance pursuant to the Code of Conduct for members of the Board of Directors adopted on 22 September 2006. The provisions herein also apply to the President, where applicable, both in the capacity as Chair of the Board and as President.

1. **Scope of Responsibility**

The Ethics Committee shall consider

(a) requests from Directors, Alternate Directors or the President for guidance concerning possible actual or potential conflicts of interest, or other ethical aspects of conduct in respect of Directors, Alternate Directors or the President, and provide advice in response thereto;

and

(b) allegations of misconduct against Directors, Alternate Directors or the President that relate to the performance of official duties or actions that affect their performance of official duties, whether such actions are taken prior to, during, or, with respect to any applicable restrictions on future employment or disclosure of information, subsequent to their terms of service as Directors, Alternate Directors or President, and make recommendations to the Board of Directors with respect thereto.

2. **Composition and Appointments**

The Ethics Committee shall consist of five Directors and/or Alternate Directors (“Committee Members”). In appointing Committee Members and Chair, the President will seek to ascertain and abide by the consensus of the
Board of Directors. In the event that consensus cannot be established in a
timely way, the President will appoint the Committee Members and/or Chair
having regard to the views of the Board of Directors. Efforts shall be made to
have the membership of the Ethics Committee reflect the economic, cultural
and geographic diversity of the member countries of ADB.

Committee Members ordinarily shall be appointed for two-year terms
following each regular election of Directors. If any Committee Member shall
resign mid-term, a new Committee Member shall be appointed in accordance
with the appointment procedures provided for under Paragraph 2(a) above, to
complete the remainder of the term.

3. Counsel to the Ethics Committee

The General Counsel shall act as Counsel to the Ethics Committee, and
shall be available to give advice to the Ethics Committee and to Directors,
Alternate Directors or the President, at their request. In order to preserve
confidentiality, the General Counsel shall establish procedures to ensure that
any documents or other material relating to the work of the Ethics Committee
are securely handled and held within the Office of the General Counsel.
Secure procedures shall also be adopted if documents are distributed beyond
that Office. Access to such documents, other materials and any associated
information shall be limited to the General Counsel and those few individuals
whom the General Counsel designates as having a need to be involved with the
issue. The privacy of individuals and the presumption of innocence shall be
respected at all times.

4. Secretary to the Ethics Committee

The Secretary shall act as Secretary of the Ethics Committee. In order
to preserve confidentiality, the Secretary shall establish procedures to ensure
that any documents or other material relating to the work of the Ethics
Committee are securely handled and held within the Office of the Secretary.
Secure procedures shall also be adopted if documents are distributed beyond
that Office. Access to such documents, other materials and any associated
information shall be limited to the Secretary and those few individuals whom
the Secretary designates as having a need to be involved with the issue. The
privacy of individuals and the presumption of innocence shall be respected at
all times.

5. General Rules of Procedure of the Ethics Committee

(a) The quorum for a meeting shall be five Committee Members. The
Chair shall seek to schedule meetings of the Committee to enable
all members to attend, consistent also with ensuring that matters
before the Committee are dealt with in timely fashion. Every effort shall be made to conduct meetings with all Committee Members physically present. However, in exceptional circumstances, Committee Members may attend by telephone or videoconference, subject also to the consent of any Director, Alternate Director or President who may be the subject of an agenda item for the meeting. If, nonetheless, a Committee Member cannot attend for any reason, another Director or Alternate Director will be designated to act in the place of the absent Committee Member in accordance with the appointment procedures provided for under Paragraph 2(a), and taking into consideration the economic, cultural and geographic diversity of the member countries of ADB.

(b) Decisions of the Ethics Committee shall be taken by simple majority. If a decision is not unanimous the view(s) of the minority are also to be recorded in any report prepared for the Board of Directors.

(c) Where a matter pending before the Ethics Committee involves the President, or a Committee Member or an Alternate Director or Temporary Alternate Director in his or her office, the President or Committee Member shall not be eligible to attend or participate in any deliberations or decision-making regarding such matter.

(d) In the interests of preserving confidentiality, attendance at meetings of the Ethics Committee shall be restricted to Committee Members. The Counsel to the Ethics Committee, the Secretary to the Ethics Committee, and other individuals whose attendance is specifically authorized by the Ethics Committee, may also attend when requested by the Committee. Documents circulated for the consideration of the Ethics Committee shall be distributed only to the Committee Members. They may also be circulated to the Counsel, the Secretary and others, if specifically authorized by the Chair of the Ethics Committee, after consultation with and subject to the guidance of Committee Members.

(e) In the interests of preserving confidentiality, the Board of Directors shall receive the reports of the Ethics Committee and conduct all deliberations or decision-making under these procedures in Restricted Executive Sessions of the Board of Directors consisting exclusively of Directors (or the Alternate of a Director who is unable to attend) and chaired by the Chair of the Board of Directors.

(f) Without prejudice to Paragraph 7(e) of these procedures, where a matter pending before the Board of Directors pursuant to these procedures involves a Director or his or her Alternate Director, the
Director and Alternate Director shall be eligible to attend in order to present his/her views regarding an allegation against them but shall not participate in deliberations, or decision-making regarding such allegations.

(g) In proceedings pursuant to these procedures, the Ethics Committee, the Board of Directors and, to the extent required for an investigation pursuant to Paragraph 7(c), the Auditor General or the General Counsel, shall at all times follow a fair process. If asked to conduct an investigation, the General Counsel will establish appropriate arrangements within the Office to ensure that the investigation is conducted independently, including by assigning different legal counsel to this task than those who assist the General Counsel to act as Counsel to the Ethics Committee.

(h) The Ethics Committee, the Auditor General or the General Counsel, to the extent necessary to conduct an investigation pursuant to Paragraph 7(c), and only to that extent, shall have access to Directors, Alternate Directors, the President, Vice-Presidents and staff members and to pertinent records, emails and documents. In the course of such investigation the Ethics Committee, Auditor General or the General Counsel shall not have access to communications between a Director or Alternate Director concerned and his/her sending authority(ies) except with the latter’s consent.

6. Procedures for Handling Requests for Guidance

(a) A Director, Alternate Director or the President shall submit a written request for guidance concerning possible actual or potential, conflicts of interest, or other ethical aspects of conduct in respect of his or her personal situation to the Chair for consideration by the Ethics Committee in accordance with the procedures set forth in this Section 6.

(b) The Ethics Committee shall review the request. Counsel to the Ethics Committee shall be available to assist with this review, if necessary. The Ethics Committee may at any time request further information from the individual who submitted the request for guidance.

(c) The Ethics Committee shall provide in writing its advice in response to each individual who has submitted a request for guidance. The Ethics Committee may communicate such advice to other Directors, Alternate Directors and the President, subject to consultation with the individual and in a manner that ensures the privacy of the individual concerned.
(d) An individual who is not satisfied with the advice received from the Ethics Committee in response to a request for guidance may request reconsideration by the Ethics Committee, and if dissatisfied with the Ethics Committee’s reconsideration, may request a review by the Board of Directors.

7. Procedures for Handling Allegations of Misconduct

(a) If an individual wishes to make an allegation of misconduct against a Director, Alternate Director or the President, he/she shall submit such allegation in writing and in confidence to the Chair of the Ethics Committee who shall bring any such allegation to the attention of the Ethics Committee for its consideration in accordance with the procedures set forth in this Section 7. In such a case, the Directors, Alternate Directors or the President concerned shall be presumed not to have engaged in misconduct until such time as the Board of Directors decides under Paragraph 7(d) that there is sufficient evidence to establish, on a balance of probabilities, that the alleged misconduct did occur.

(b) As soon as is practicable, the Ethics Committee shall review the allegations and determine whether they are credible and whether they are appropriate for consideration by the Board of Directors. Counsel to the Ethics Committee shall be available to assist with this review. If the allegations do not appear credible, or if they seem inappropriate for consideration by the Board of Directors, the Ethics Committee may decide to take no further action. If the allegations appear credible and appropriate for consideration by the Board of Directors, the Ethics Committee shall recommend to the Board of Directors that an investigation be conducted.

(c) If, based upon the Ethics Committee’s recommendations, the Board of Directors agrees that an investigation shall be conducted, the Ethics Committee shall initiate an investigation as soon as is practicable. The Committee may request the Auditor General or the General Counsel to assist in the investigation. The Board of Directors may advise the Ethics Committee whether use of the Auditor General or the General Counsel would be appropriate. If so requested, the Auditor General or General Counsel shall conduct an investigation and shall submit a report on such investigation to the Ethics Committee, with a recommendation whether the facts indicate that misconduct occurred, and if so, what measures may be appropriately imposed.
(d) As soon as is practicable, based on the findings of the investigation, the Ethics Committee shall make a recommendation to the Board of Directors whether the facts indicate that misconduct occurred, and if so, what measures may be appropriately imposed. The Board of Directors shall take a final decision based on the findings and recommendations of the Ethics Committee and, if applicable, the Auditor General or the General Counsel. In cases of misconduct by a Director, appropriate measures may include issuance of a written censure or other action by the Board of Directors and, if the circumstances warrant it, provision of notice of such censure or other action to the Governor(s) of the member country (or countries) that appointed or elected the Director. In cases of misconduct by an Alternate Director or a Temporary Alternate Director, appropriate measures may include censure by the Board of Directors and recommendation of other appropriate action to be taken by the Director who appointed him or her. In cases of misconduct by the President, the Board of Directors may recommend appropriate measures to the Board of Governors that may include censure and other appropriate action by the Board of Governors.

(e) Each Director, Alternate Director or the President, if alleged to have committed misconduct, shall be provided with timely notice of the allegations, all relevant documentation and the opportunity to present his or her views regarding the allegations to the Ethics Committee before it recommends, and to the Board of Directors before it makes any recommendations or decisions, as set forth in these procedures (i) whether to conduct an investigation; or (ii) whether the facts indicate that misconduct occurred, and if so, what measures may be appropriately imposed. In exceptional cases, the Ethics Committee shall permit the individual who is alleged to have committed misconduct to be accompanied by an advisor from within or outside of ADB. In other cases, the Ethics Committee, having regard to the particular circumstances of the case, may permit such accompaniment by an advisor.

(f) If the Ethics Committee in the course of its work uncovers potential misconduct by a staff member of ADB, or potential fraud or corruption by a contractor or consultant in a project financed or executed by ADB, it shall refer the matter to the Auditor General if potential fraud or corruption is involved, or to the Director General of the Budget, Personnel and Management Systems Department if no allegation of fraud or corruption is involved.
(g) Any staff member who makes frivolous or knowingly false allegations against a Director, Alternate Director or the President shall be subject to disciplinary procedures in accordance with Administrative Order No. 2.04. Frivolous or knowingly false allegations made by the President, a Director or an Alternate Director shall be considered a violation of the Code of Conduct and will be subject to the procedures of this Code.
REPORT OF THE PROCEDURES COMMITTEE
FOR 2006/2007

As required under its terms of reference, the Procedures Committee for 2006/2007 met on 5 May 2007. Governors for Afghanistan, Belgium, People’s Republic of China, Germany, Japan, Kyrgyz Republic, Nepal, Philippines, Sweden, Taipei, China, and the United States were present at the Meeting.

The Committee submits the following report:

1. Schedule of Meeting

The Committee recommends that the Schedule of Meeting as shown in DOC. No. BG40-1 be approved with such changes as the Chair may announce during the course of the Meeting.

2. Provisions Relating to Conduct of Meeting

The Committee recommends that the Provisions Relating to Conduct of Meeting, as shown in DOC. No. BG40-2, be approved.

3. Agenda for Meeting

The Committee recommends adoption of the agenda as shown in DOC. No. BG40-3. Regarding the items on the Agenda, the Committee reports as follows:

(a) Annual Report for 2006 – The Committee recommends that the Board of Governors take note of the Annual Report.

(b) Financial Statements and Independent Auditors’ Reports – The Committee noted the Report of the Board of Directors, DOC. No. BG40-4, and recommends that the draft Resolution entitled “Financial Statements and Independent Auditors’ Reports” be adopted by the Board of Governors.

(c) Allocation of Net Income – The Committee noted the Report of the Board of Directors, DOC. No. BG40-5, and recommends that the draft Resolution entitled “Allocation of Net Income” be adopted by the Board of Governors.

(d) Budget for 2007 – The Committee recommends that the Board of Governors take note of the Report of the Board of Directors on the ADB and ADB Institute Budgets for 2007, DOC. No. BG40-6.
(c) **Resources of ADB** – The Committee recommends that the Board of Governors take note of the Report of the Board of Directors, DOC. No. BG40-7.

(f) **Review of Rules and Regulations** – The Committee recommends that the Board of Governors take note of the Report of the Board of Directors, DOC. No. BG40-8.

(g) **Place and Date of the Forty-First Annual Meeting (2008)** – The Committee noted the Report of the Board of Directors, DOC No. BG40-9, and recommends that the draft Resolution entitled “Place and Date of Forty-First Annual Meeting” be adopted by the Board of Governors.

(h) **Officers and Procedures Committee for 2007/2008** – The Committee recommends that a Procedures Committee be constituted consisting of the Governors for Australia; Austria; Bangladesh; People’s Republic of China; Ireland; Japan; Pakistan; Samoa; Singapore; Spain; Sri Lanka and the United States of America to be available through the Forty-First Annual Meeting for consultations at the discretion of the Chair regarding the Schedule of Meeting, Provisions Relating to Conduct of Meeting, the Agenda for the Meeting and any procedural matters, by correspondence, if necessary, and by convening immediately before, and, as required, during the Forty-First Annual Meeting. In line with item (f) above, the Committee further proposes that the Governor for Spain be appointed Chair of the Procedures Committee.

The Committee also proposes that the Governor for Spain be elected Chair and the Governors for Viet Nam and Federated States of Micronesia be elected Vice-Chairs of the Board of Governors for 2007/2008.
RESOLUTIONS ADOPTED AT THE MEETING

RESOLUTION NO. 325

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS’ REPORTS

THE BOARD OF GOVERNORS


RESOLVES:

That the audited Financial Statements as contained in the Annual Report of ADB for 2006, which include separate financial statements for the operations of Special Funds, are approved.

(Adopted 7 May 2007)

RESOLUTION NO. 326

ALLOCATION OF NET INCOME

THE BOARD OF GOVERNORS

Having considered the Report of the Board of Directors on the allocation of the net income of ADB’s ordinary capital resources and the Asian Development Fund for the year ended 31 December 2006

RESOLVES:

That, of the net income of ADB from its ordinary capital resources for the year ended 31 December 2006 amounting to $565,886,420, after appropriation of guarantee fees of $4,169,172 to the Special Reserve,

(a) $138,478,782, representing the FAS 133 adjustment at 31 December 2006, be added from the Cumulative Revaluation Adjustments account;
(b) $52,000,000 be allocated to Loan Loss Reserve;
(c) $286,182,601 be allocated to Ordinary Reserve;
(d) $286,182,601 be allocated to Surplus;
(e) $40,000,000 be allocated to Asian Development Fund;
(f) $40,000,000 be allocated to the Regional Cooperation and Integration Fund.

(Adopted 7 May 2007)

RESOLUTION NO. 327

PLACE AND DATE OF FORTY-FIRST ANNUAL MEETING (2008)

THE BOARD OF GOVERNORS

RESOLVES THAT:


(Adopted 7 May 2007)
LIST OF OFFICIAL PARTICIPANTS

Accredited Members of Delegations
Governors and their Delegations

AFGHANISTAN
Governor Hon. Anwar-ul Haq Ahady
Alternate Governor Wahidullah Shahrani
Adviser Richard Bontjer

ARMENIA
Head of Delegation David Avetissian

AUSTRALIA
Head of Delegation Christopher Pearce
Temporary Alternate Governor David Parker
Advisers Julia Newton-Howes
Bruce Paine
Simon Duggan
Kirsty McNichol
Dereck Rooken-Smith
Paul Murphy
William Brummitt

AUSTRIA
Head of Delegation Marcus Heinz
Adviser Elisabeth Gruber

AZERBAIJAN
Head of Delegation Samir Sharifov
Temporary Alternate Governor Fuad Ahmadov
Adviser Anar Ahmadov
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List of Official Participants

Sha Yu
Jianwu Wu
Zhengxin Zhang
Tian Bai
Jin Qian
Jianguo Niu
Honggui Wang
Ziyuan Wang
Yan Li
Yong Yuan

**COOK ISLANDS**
Governor
Hon. Terepai Maoate
Alternate Governor
Sholan Ivaiti
Adviser
Priscilla Maruariki

**DENMARK**
Governor
Amb. Ole Moesby
Temporary Alternate Governor
Jakob Vinding Madsen
Torben Bellers

**FIJI ISLANDS**
Head of Delegation
Savenaca Narube
Temporary Alternate Governor
Peceli Voca
Amb. Inoke Kubuabola
Adviser
Filimone Waqabaca
Isikeli Voceduadua

**FINLAND**
Governor
Marjatta Rasi
Temporary Alternate Governor
Leena Viljanen
Matti Pullinen

**FRANCE**
Head of Delegation
Ramon Fernandez
Temporary Alternate Governor
Vincent Perrin
Pierre Mongrue
List of Official Participants

Jean-Yves Bajon  
Jean-Marie Demange  
Jean Leviol  

Advisers  
Roger Goudiard  
Stephane Austry  
Samuel Lelarge  
Philippe Bardol  
Mariko Sajo  
Francois Legue  

GEORGIA  
Governor  
Hon. Alex Aleksishvili  
Temporary Alternate Governor  
Dimitri Gvindadze  

Advisers  
Gvantsa Kvinikadze  
David Nozadze  

GERMANY  
Governor  
Hon. Karin Kortmann  
Temporary Alternate Governor  
Rolf Drescher  
Wolfgang Kroh  

Advisers  
Dietrich Lingenthal  
Stephan Lockl  
Julia Lehmann  
Claus-Peter Schollmeier  
Ditmar Staffelt  
Corinna Friesen  
Uwe Ohls  
Hans P. Muessig  
Christoph Sigrist  
Jochem Lange  
Jutta Zinnel  
Gerold Amelung  
Peter Goerss
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- Makhlani Makhlani
- Armstrong Bradley Joseph
- Benediktus Jatmika
- H.A. Ibnu Wiwoho Wahyutomo
- Mrs Sholihah
- Ceppie Kurniadi Sumadilaga
- Yetti Susilowati
- Herfan Brilianto Mursabdo
- Arief Hartawan
- Edward Gustely

**IRELAND**

- Head of Delegation: Robert Bradshaw
- Temporary Alternate Governor: Joseph Ainsworth
- Advisers: Michael Garvey

**ITALY**

- Head of Delegation: Ignazio Angeloni
- Temporary Alternate Governor: Pietro Catte
- Paola Pettinari

**JAPAN**

- Governor: Hon. Koji Omi
- Alternate Governor: Toshihiko Fukui
- Temporary Alternate Governor: Shigeyuki Tomita
- Hiroshi Watanabe
- Naoyuki Shinohara
- Mitsuhiko Furusawa
- Tatsuo Yamasaki
- Kazuhiro Koshikawa
- Masaki Omura
- Toshiro Muto
- Advisers: Toru Shikibu
- Kenji Okamura
- Hitoshi Sumisawa
- Yasuhito Suzuki
Kenichi Osuga
Takashi Miyahara
Teruhiro Ozaki
Takuji Yano
Shoichiro Yuyama
Yasuo Fujinaka
Noriko Nakayama
Atsushi Ogura
Shoko Ikarashi
Hideki Ito
Shoji Tsueoka
Naoto Yamamoto
Hiroshi Naka
Shuichi Hosoda
Hisashi Ono
Keiji Shibata
Takahiro Kuchiki
Kohei Noda
Shigeki Kimura
Osamu Yoshida
Hideo Hashimoto
Ushio Tashibu
Yusuke Sekiguchi
Toshinori Doi
Michihito Kojima
Tetsuya Hiroshima
Hirotaka Inoue
Toshio Idesawa
Tadashi Uhira
Yuji Osawa
Tomoki Tanemura
Yoshinori Shinmen
Yukito Kunimitsu
Masatoshi Yamaguchi
Hisami Hidaka
Hiroshi Fukada
Mitsuru Myochin
Atsushi Mizuno
Mitsunori Motohashi  
Takeshi Murazawa

KAZAKHSTAN
Governor  Hon. Korzhova Natalya
Temporary Alternate Governor  Almas Dissyukov
Adviser  Zhakupov Kairat

KIRIBATI
Temporary Alternate Governor  Wiriki Tooma
Adviser  Tångtang Kaureata

KOREA, REPUBLIC OF
Governor  Hon. O Kyu Kwon
Temporary Alternate Governor  Sung Jin Kim
Sung Il Lee
Advisers  Kyung Wook Hur
Young Kwa Kim
Euisoo Kim
Byung Doo Sohn
Yoonkyung Kim
Hun Tae Lee
Kyungjin Song
Jong Hoon Kim
Gwi Beom Kim
Jiyoung Choi
Yeu Jin Jung
Hoseok Jung
Na Jung Kim
Kangsuk Kim
Sangjun Kim
Susan Soujean Chung
Ju-hyun Pyun
Hanpack Chun
Man Ha Yoon
Taeck Kyu Chang
List of Official Participants

Tae Hyoung Kim
Dong Jun Park
Yunjo Chang
Hoon Choi
Hyun Woo Park

KYRGYZ REPUBLIC

Governor
Hon. Akylbek Japarov

Temporary Alternate Governor
Elena Mironova
Nurlanbek Tynaev

LAO PEOPLE'S DEMOCRATIC

Governor
Hon. Chansy Phosikham

Alternate Governor
Somphao Phaysith

Advisers
Phanomphone Keovongvichith
Bounthong Keomahavong
Thipphakone Chanthavongsa
Panom Lathouly
Bounleua Sinvayvoravong
Rithikone Phoummasack
Khuanchai Siphakanlaya

LUXEMBOURG

Head of Delegation
Arsène Jacoby

MALAYSIA

Governor ad interim
Hon. Nor Md Yakcop

Temporary Alternate Governor
Sang Kuang Ooi
Ibrahim Mahaludin Puteh

Temporary Alternate Governor
Mohd Radzi Abdul Rahman

Advisers
Shamsuddin Mohd Mahayidin
Rahamat Bivi Yusoff
Agnes Maria Sam John Sam
Lay Hua Yap
Mohd Desa Siti Zauyah
Marimuthu Premelatha
List of Official Participants

Johan Mahmood Merican
Teng Lam Saw

MALDIVES
Governor
Hon. Mohamed Jaleel
Alternate Governor
Riluwan Shareef
Temporary Alternate Governor
Hon. Qasim Ibrahim

MARSHALL ISLANDS,
REPUBLIC OF
Governor
Hon. Brenson S. Wase
Temporary Alternate Governor
Bruce Bilimon

MICRONESIA, FEDERATED
STATES OF
Head of Delegation
Rose Nakanaga
Temporary Alternate Governor
Senny Phillip

MONGOLIA
Governor
Hon. Bayartsaikhan Nadmid
Temporary Alternate Governor
Dorjkhand Togmid
Adviser
Lkhagvadash Dashdavaa

MYANMAR
Governor
Hon. Hla Tun
Temporary Alternate Governor
Than Nyein
Daw Ommar Sein
Advisers
Amb. Hla Myint
Hmway Hmway Khyne

NAURU
Governor
Hon. David Adeang
Alternate Governor
Jonathon Kirkby
Advisers
Alex Ke
Kevin Lai
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## SPAIN

- **Head of Delegation**: David Vegara Figueras
- **Temporary Alternate Governor**: Isabel Riano
- **Advisers**: María Revuelta, Luis Canete, José Miguel Cortes Arcas, Jorge Alvar Villegas, María Jesús Fernández, Maria Carmen Casillas Villamor, Elisa Blanco, Elena Carrasco Comes

## SRI LANKA

- **Governor ad interim**: Hon. Sarath Amunugama
- **Temporary Alternate Governor**: Sumith Abeysinghe
- **Adviser**: Jude Nilukshan, Ajitha Batagoda, Jude Nilukshan

## SWEDEN

- **Head of Delegation**: Johanna Brismar Skoog
- **Temporary Alternate Governor**: Per Trulsson
- **Advisers**: Caroline Schander, Josefin Hedbrandh, Bengt Boström

## SWITZERLAND

- **Governor**: Amb. Joerg Reding
- **Alternate Governor**: Adrian Schläpfer
- **Temporary Alternate Governor**: Christina Grieder, Stefan Bigler

## TAIPEI, CHINA

- **Governor**: Fai-Nan Perng
- **Alternate Governor**: Teng-Cheng Liu
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Arkhom Termrittayapaisith
Supote Isarankura Na Ayudhaya
Ketsuda Supradit
Benjamin Sukanjanajtee
Mieko Saito
Tarisa Watanagase
Atchana Waiquamdee
Nopawan Mahamusik
Ruthaichanok Manivat
Worawut Wesaratchakit
Pariwat Kanithasen
Apisak Tantivorawong
Kittiya Todhanakasem
Pannipa Apichatabutra
Suteera Benyajati
Narongchai Akrasanee
Apichai Boontherawara
Somporn Chitphentom
Ratchanis Chareon
Wisudhi Srisuphan
Goanpot Asvinvichit
Manu Leopairote
Chakramon Phasukavanich
Khan Prachuabmoh
Pongsak Chewcharat
Kirati Veruwan
Nattapon Dejvitak
Luck Wajanananawat
Thira pong Tangthirasunan
Choomporn Ratamongkol

THE NETHERLANDS

Head of Delegation
Kees Rade
Temporary Alternate Governor
Mark Bezemer
Advisers
Marloes Geelen
Dirk Jan Kop
List of Official Participants

TIMOR-LESTE

Head of Delegation
Amb. Sarmento Domingos Alves
Temporary Alternate Governor
Julio Freitas

TONGA

Governor
Hon. Siosiua Utoikamanu
Temporary Alternate Governor
Siosi Mafi
Adviser
Caroline Tupoulahi
`Ilisapesi Baker
`Ana Tu` ionuku

TURKEY

Head of Delegation
Burhanettin Aktas
Temporary Alternate Governor
Memduh Aslan Akcay
Advisers
Ugur Salih Ucar
Yusuf Bora Enhos
M. Alper Batur
Mehmet Yildirim Akrugan
Emre Yalçin

TURKMENISTAN

Head of Delegation
Dovlet Ahatov
Temporary Alternate Governor
Pelvan Taganov

TUVALU

Governor
Hon. Lotoala Metia
Alternate Governor
Aunese Makoi Simati
Advisers
Letasi Iulai

UNITED KINGDOM

Head of Delegation
Charlotte Consuelo Seymour-Smith
Advisers
Gerald Duffy
Andrew McSkimming
Becky Thoseby
List of Official Participants

UNITED STATES

Head of Delegation
Kenneth Peel
Temporary Alternate Governor
Paul William Curry
Mark Jaskowiak
Advisers
Andy Baukol
Mathew Haarsager
Atticus Weller
Gwyn Koepke
Seth Searls
Susan Baker
Weyer Jonathan
Teresa Curran
Kenneth Reidbord
Charles R Aanenson
Cecilia Santos
Ma. Lutgarda Calupaz

UZBEKISTAN

Head of Delegation
Hon. Rustam Azimov
Governor
Hon. Saidakhmat Rakhimov
Temporary Alternate Governor
Ravshan Gulyamov
Adviser
Batir Mirbabayev
Azim Akhmedkhodjaev
Muradullo Abdullaev

VANUATU

Governor
Hon. Willie Jimmy Tapangararua
Alternate Governor
Simeon Malachi Athy
Temporary Alternate Governor
Odo Tevi
Advisers
George Andrews
Frederick Hosea
Sam Nakou Lop
Juliet Newman
Betty Kalorisu
George Borugu
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<tr>
<td>Head of Delegation</td>
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<td>Nguyen Thi Ngoc Van</td>
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</tbody>
</table>
OBSERVERS

CZECH REPUBLIC
Amb. Jaromir Novotny

IRAN
Hassan Taherian

RUSSIAN FEDERATION
Dmitry Birichevskiy
Sergey Bogatenkov
Andrey Bychkov
Pavel Chernyshev
Timur Eyvazov
Alexander Ivanov
Andrey Kondakov
Alexandr Maslov
Sergey Nosachev
Maxim Yakhlev

AFRICAN DEVELOPMENT BANK
I. Modibo Toure

ASIAN PRODUCTIVITY ORGANIZATION
Shigeo Takenaka

ASSOCIATION OF SOUTH EAST ASIAN NATIONS
Worapot Manupipatpong
Hazelyn Yuen Ling

BANK FOR INTERNATIONAL SETTLEMENTS
Robert Mccauley

CAB INTERNATIONAL
Wai Hong Loke
Dennis Rangi
Qiaoqiao Zhang

COUNCIL OF EUROPE DEVELOPMENT BANK
Apolonio Ruiz Ligero

EUROASIAN ECONOMIC COMMUNITY
Valery Prokhorov

EUROPEAN INVESTMENT BANK
Jean-Louis Biancarelli
Carlos Da Silva Costa
Matthias Zollner
<table>
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<tr>
<th>Organization</th>
<th>Observers</th>
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<tr>
<td>FOOD AND AGRICULTURE ORGANIZATION OF THE UN</td>
<td>Hiroyuki Konuma</td>
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<td>INTER-AMERICAN DEVELOPMENT BANK</td>
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<td>INTERNATIONAL FINANCE CORPORATION</td>
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<td>INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT</td>
<td>Munehiko Joya</td>
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<td>Shinichi Hasegawa</td>
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<td>Akira Ariyoshi</td>
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<td>ISLAMIC FINANCIAL SERVICES BOARD</td>
<td>Abdullah Haron</td>
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<td>ISLAMIC DEVELOPMENT BANK</td>
<td>Amadou Boubacar Cisse</td>
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<td>MULTILATERAL INVESTMENT GUARANTEE AGENCY</td>
<td>Peter Cleary</td>
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<td>NORDIC INVESTMENT BANK</td>
<td>Johnny Akerholm</td>
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<td>OPEC FUND FOR INTERNATIONAL DEVELOPMENT</td>
<td>Jaafar M.s. Al-mahdi</td>
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<td>Fuad Albassam</td>
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<td>Imhemed Bukader</td>
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List of Observers

PACIFIC ISLANDS FORUM SECRETARIAT
Roman Grynberg
Sanjesh Naidu

SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION
Chenkyab Dorji
Vinay Mohan Kwatra
Md. Sufiur Rahman
Subash Chand Sharma

UN CONFERENCE ON TRADE AND DEVELOPMENT
Supachai Panitchpakdi

UN DEVELOPMENT PROGRAMME
Romulo Garcia

UNESCAP
Hak-Su Kim
Nanda Krairiksh
Julian Howard Payne
Ravindra Ratnayake

UN ENVIRONMENT PROGRAMME
Surendra Shrestha

UN HUMAN SETTLEMENTS PROGRAMME
Inga Bjork-klevby
Andre Dzikus
Thomas Kjaergaard

JOINT UNITED NATIONS PROGRAMME ON HIV/AIDS
Prasada Rao Jonnalagadda

WORLD BANK
James Adams
Lester Dally
Annette Dixon
Cecilia Guido-Spano
Joel Hellman
Shigeo Katsu
Yoshiko Maruyama
Koichi Omori
Ian Porter
John Roome
Joachim Von Amsberg
## BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Director</th>
<th>Alternate Director</th>
<th>Advisor</th>
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<tbody>
<tr>
<td>Emile Gauvreau</td>
<td>Pasi Hellman</td>
<td>*Ugur Salih Ucar</td>
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<td>Patrick Brandt</td>
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<td>Sibtain Fazal Halim</td>
<td>Marita Magpili-Jimenez</td>
<td>*Rizwan Bashir Khan</td>
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<td>Agus Haryanto</td>
<td>Richard Stanley</td>
<td>Maeva Betham-Vaai</td>
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<td>Chol-Hwi Lee</td>
<td>*James Tsuen-Hua Shih</td>
<td>Chang Huh</td>
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<td>*Masaki Omura</td>
<td>*Atsushi Mizuno</td>
<td>*Mitsunori Motohashi</td>
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<td>*Takeshi Murazawa</td>
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<td>Joao Simoes de Almeida</td>
<td>*Paola Pettinari</td>
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<td>Ashok Saikia</td>
<td>Nima Wangdi</td>
<td>Ajay Seth</td>
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<td>Phil Bowen</td>
<td>Richard Moore</td>
<td>Vusala Jafarova Jafar</td>
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<td>Curtis Chin</td>
<td>*Paul Curry</td>
<td>Joanna Veltri</td>
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<td>*Atticus Weller</td>
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<td>Md. Saad Hashim</td>
<td>Siew Juan Aw</td>
<td>Than Than Htoo</td>
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<tr>
<td>David Taylor</td>
<td>Sebastian Paust</td>
<td>Nicole Bintner- Bakshian</td>
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<tr>
<td>*Wencai Zhang</td>
<td>*Fangyu Liu</td>
<td>*Zhang Zhengwei</td>
</tr>
</tbody>
</table>

* Also listed as delegate.
ADB PRINCIPAL OFFICERS AND SENIOR STAFF

President
Haruhiko Kuroda

Vice Presidents
Liqun Jin
C. Lawrence Greenwood, Jr.
Ursula Schäfer-Preuss
Bindu N. Lohani

Managing Director General
Rajat M. Nag

The Secretary
Jeremy H. Hovland

Assistant Secretary
Roger A. Burston

General Counsel
Arthur M. Mitchell

Director General, Strategy and Policy Department
Kazu Sakai

Director, SPPI
Christopher MacCormac

Director General, Regional and Sustainable Development Department
(vacant)

Deputy Director General, Regional and Sustainable Development Department
Shyam Bajpai

Director, RSID
WooChong Um

Head, NGOC
Bartlet Edes

Chief Economist, Economics and Research Department
Ifzal Ali

Director General, South Asia Department
Kunio Senga

Deputy Director General
Sultan Hafeez Rahman

Director, SAGF
Ashok Sharma
<table>
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<tr>
<th>Position</th>
<th>Name</th>
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<tbody>
<tr>
<td>Director General, Central and West Asia Department</td>
<td>Juan Miranda</td>
</tr>
<tr>
<td>Deputy Director General</td>
<td>Xianbin Yao</td>
</tr>
<tr>
<td>Director, CWOC</td>
<td>Robert Siy, Jr.</td>
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<tr>
<td>Director General, Private Sector Operations Department</td>
<td>Robert Bestani</td>
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<tr>
<td>Deputy Director General, PSOD</td>
<td>Seethapathy Chander</td>
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<tr>
<td>Director General, East Asia Department</td>
<td>H. Satish Rao</td>
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<tr>
<td>Deputy Director General</td>
<td>Klaus Gerhaeusser</td>
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<tr>
<td>Director General, Southeast Asia Department</td>
<td>Arjun Thapan</td>
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<tr>
<td>Deputy Director General</td>
<td>Kuniki Nakamori</td>
</tr>
<tr>
<td>Director General, Pacific Department</td>
<td>Philip Erquiaga</td>
</tr>
<tr>
<td>Director, Pacific Operations (Area A)</td>
<td>Eugenue Zhukov</td>
</tr>
<tr>
<td>Director, Pacific Operations (Area B)</td>
<td>Indu Bhushan</td>
</tr>
<tr>
<td>Treasurer</td>
<td>Mikio Kashiwagi</td>
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<tr>
<td>Assistant Treasurer, TDFD</td>
<td>Juanito Limandibrata</td>
</tr>
<tr>
<td>Director General, Budget, Personnel and Management Systems Department</td>
<td>Kensaku Munenaga</td>
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<tr>
<td>Director General, Operations Evaluation Department</td>
<td>Bruce Murray</td>
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<tr>
<td>Principal Director, Office of Cofinancing Operations</td>
<td>Werner E. Liepach</td>
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<tr>
<td>Director</td>
<td>Ma. Carmela D. Loesin</td>
</tr>
<tr>
<td>Position</td>
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<tr>
<td>Auditor General</td>
<td>Peter Pedersen</td>
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<tr>
<td>Resident Director General, Japan Representative Office</td>
<td>Woo Chull Chung</td>
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<tr>
<td>Officer-in-Charge, Department of External Relations</td>
<td>Ann Quon</td>
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<tr>
<td>Chair, Office of the Compliance Review Panel</td>
<td>Augustinus Rumansara</td>
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<tr>
<td>Special Project Facilitator, Office of the Special Project Facilitator</td>
<td>Robert May</td>
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<tr>
<td>Head, Office of Regional Economic Integration</td>
<td>Jong-Wha Lee</td>
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<tr>
<td>Director</td>
<td>Srinivasa Madhur</td>
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<tr>
<td>Senior Advisor</td>
<td>Masato Miyachi</td>
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</table>
OFFICERS OF THE BOARD OF GOVERNORS
AND PROCEDURES COMMITTEE

2006/2007
BOARD OF GOVERNORS

Chair: Japan
Vice-Chairs: Samoa
Spain

PROCEDURES COMMITTEE

Afghanistan Nepal
Belgium Philippines
People’s Republic of China Solomon Islands
Germany Sweden
Japan (Chair) Taïpei,China
Kyrgyz Republic United States

2007/2008
BOARD OF GOVERNORS

Chair: Spain
Vice-Chairs: Federated States of Micronesia
Viet Nam

PROCEDURES COMMITTEE

Australia Pakistan
Austria Samoa
Bangladesh Singapore
People’s Republic of China Spain (Chair)
Ireland Sir Lanka
Japan United States
About the Asian Development Bank

ADB aims to improve the welfare of the people in the Asia and Pacific region, particularly the nearly 1.9 billion who live on less than $2 a day. Despite many success stories, the region remains home to two thirds of the world’s poor. ADB is a multilateral development finance institution owned by 67 members, 48 from the region and 19 from other parts of the globe. ADB’s vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve their quality of life.

ADB’s main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. ADB’s annual lending volume is typically about $6 billion, with technical assistance usually totaling about $180 million a year.

ADB’s headquarters is in Manila. It has 26 offices around the world and more than 2,000 employees from over 50 countries.