Summary of Proceedings

Thirty-Eighth Annual Meeting
of the Board of Governors

Istanbul, Turkey
4-6 May 2005

Asian Development Bank
INTRODUCTORY NOTE

The Thirty-Eighth Annual Meeting of the Board of Governors of the Asian Development Bank was held in Istanbul, Turkey from 4 to 6 May 2005.

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

June 2005
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Officers of the Board of Governors and Procedures
SUMMARY OF PROCEEDINGS OF THE THIRTY-EIGHTH ANNUAL MEETING OF THE BOARD OF GOVERNORS

The Thirty-Eighth Annual Meeting of the Board of Governors was held in Lutfi Kirdar Istanbul Convention and Exhibition Centre in Istanbul, Turkey from 4 to 6 May 2005.

The Governor for Turkey, Mr. Ibrahim Çanakci, chaired the Meeting. The Governor for Cook Islands, the Honorable Sir Geoffrey Henry, KBE, and the Governor for Mongolia, the Honorable Altankhuyag Norov, served as Vice-Chairpersons.

At the Opening Session on 4 May 2005, Minister of State in charge of Economy of Turkey, the Honorable Ali Babacan, delivered the opening remarks, followed by Mr. Ibrahim Çanakci, Chairperson of the Board of Governors, followed by the President of ADB, Mr. Haruhiko Kuroda.

The Prime Minister of Turkey, the Honorable Recep Tayyip Erdogan, delivered his address on 5 May 2005.

Procedures Committee for 2004/2005


Agenda

The Board adopted the Agenda (p.7).

Annual Report for 2004

Financial Statements and Independent Auditors’ Reports

The Board approved the audited Financial Statements of ADB for 2004, which included separate financial statements for the operations of Special Funds (Resolution No. 307).

Allocation of Net Income

The Board adopted Resolution No. 308 and resolved that, of the net income of ADB from its ordinary capital resources for the year ended 31 December 2004 after appropriation of guarantee fees of $3,472,587 to the Special Reserve amounting to $427,079,623, (a) $40,962,859, representing the FAS 133 adjustment at 31 December 2004 be added to the Cumulative Revaluation Adjustments account; (b) $51,800,000 be transferred from Loan Loss Reserve; (c) $37,916,764 be allocated to Ordinary Reserve; (d) $40,000,000 be allocated to Surplus; (e) $288,000,000 be allocated to Asian Tsunami Fund; (f) $32,000,000 be allocated to Technical Assistance Special Fund; and (g) $40,000,000 be allocated to the Asian Development Fund.

Budget for 2005

The Board noted the Report of the Board of Directors on the budgets of ADB and ADBI for 2005.

Resources of ADB

The Board noted the report of the Board of Directors on 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 highlights (i) Amendments to Statute of ADB Institute; (ii) Amendments to Special Operations Loan Regulations; (iii) Amendments to the Regulations of the Asian Development Fund and Adoption of Special Operations Grant Regulations; and (iv) Adoption of Asian Tsunami Fund Technical Assistance Grant Regulations and the Asian Tsunami Fund Grant Regulations.
Place and Date of the Fortieth Annual Meeting (2007)

The Board accepted the Report of the Board of Directors on the Place and Date of the Fortieth Annual Meeting (2007) and adopted Resolution No. 306 which provides that the Fortieth Annual Meeting be held in Kyoto, Japan from 6 to 8 May 2007.

Election of Chairperson and Vice-Chairpersons of the Board of Governors

The Board elected the Governor for India as Chairperson of the Board of Governors and the Governors for Luxembourg and Palau as Vice-Chairpersons, to hold office until the close of the Thirty-Ninth Annual Meeting.

Procedures Committee for 2005/2006

The Board appointed the Procedures Committee for 2005/2006 composed of the Governors for:

- People’s Republic of China
- Myanmar
- Denmark
- Pakistan
- France
- Palau
- India
- Tonga
- Japan
- United States
- Luxembourg
- Uzbekistan

The Board appointed the Governor for India as Chairperson of the Procedures Committee for 2005/2006.

Appreciation

Governors expressed their appreciation for the warm hospitality extended by the Government and the people of Turkey on the occasion of the Thirty-Eighth Annual Meeting.
SCHEDULE OF MEETING

Wednesday - 10:00 a.m. - Opening Event
4 May
   - 10:30 a.m. - Opening Address
      - Address by the Chairperson
      - Address by the President of ADB
   - 12:00 noon - Adjournment

Thursday - 9:30 a.m. - Report of the Procedures Committee
5 May
   - Statements by Governors
   - 12:00 noon - Adjournment
   - 2:30 p.m. - Statements by Governors
   - 5:30 p.m. - Adjournment

Friday - 9:30 a.m. - Statements by Governors
6 May
   - Report of the Procedures Committee (Continuation)
   - Remarks by the Chairperson-Elect
   - Closing Remarks
   - 12:00 noon - Closure
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 Chairperson of the Committee.

Order of Speaking and Records

3. The Chairperson 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 Chairperson and members of the Committee and the President of ADB.

8. Reports of the Procedures Committee shall be signed by the Chairperson of the Committee and the Reporting Member.

Public Information

9. The Chairperson 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 2004

2. Financial Statements and Independent Auditors’ Reports
   a. Ordinary Capital Resources
   b. Special Funds

3. Allocation of Net Income

4. Budget for 2005

5. Resources of ADB

6. Review of Rules and Regulations

7. Place and Date of Fortieth Annual Meeting (2007)

Address by

THE PRIME MINISTER OF TURKEY

THE HONORABLE RECEP TAYYIP ERDOGAN

Distinguished President of the Asian Development Bank,
Esteemed Guests,
Distinguished Members of the Press,
I would like to extend my deepest regards to all of you.
Welcome to Istanbul, you honored us.
I would like to greet you, distinguished guests and also Istanbul, hosting this great encounter in the cross section of Asia and Istanbul and endorsing our friends.

Istanbul is not only a center combining the continents but also a central symbol combining and synthesizing the civilizations.

I wish for the fruitful outcomes of our exciting encounter, the decisions taken here, the consultations made, and the ideas put forward for both our countries and all of the people in the world.

And in the preface of my remarks, I would also like to greet the big continent Asia, the source of the ancient civilizations, with all its cities and its peoples.

The disaster of earthquake and tsunami, which occurred in some of the Asian countries last year, left deep and unforgettable traces in the heart of Turkish people as it did in the heart of all Asian people.

The Turkish people, who suffered for the same reasons, are by no means unfamiliar with the suffering of these people who became homeless, lost relatives and friends, face hunger and thirst and they successfully mobilized all their resources.

When I paid a visit to the region just after the disaster, I felt the pain of Asia, our Asian brothers and sisters, first of all as a human and as a father.

And as a former mayor of Istanbul, I personally observed the fact that the infrastructure in the regions has been exposed to such a big destruction.

This devastating disaster taught lessons for both the Asian countries and for the whole world. Beyond the messages of consolidation, brotherhood, unity and integrity, the most significant lesson that we have to draw from this disaster is the fact that we have understood that it is
an inevitable responsibility for everyone to ensure the careful and fair utilization of the resources in the world.

The objective of the economy should be, first of all, the happiness and welfare of the people.

An understanding of economy which is not human-oriented, based on limitless and irresponsible consumption and wildly exploits the resources of the world will make our world unlivable in the very future.

We know that such an understanding of economy, above all, does not accord with Asia, the heir of civilizations, and the lifestyles, beliefs and customs of the Asian people.

We must alter this course and approximate the world to an understanding of economy which is fair and sustainable.

In order to achieve this, we should raise our voice.

We are a member of a culture and civilization family that does not even accept to sleep full when our neighbors are hungry.

We come from a tradition that we cannot remain indifferent when the children are crying in Ache, Phuket, Penang, Kabul, and Baghdad.

We can never be just an onlooker to the environment becoming polluted, the forests being depleted, the water resources being drained, and the world publicly becoming an unlivable place.

So in this context, the Asian Development Bank assumed an historical responsibility.

This responsibility is on our shoulders both institutionally and individually.

We must spread the light rising from Asia and share and adopt the problems and sufferings of Asia as well as its prosperity.

I believe that the role of the Asian Development Bank, which contributes much especially to the fight against poverty, and development, cooperation, and solidarity of the Asian countries, will and should increase in the region.

I would like to reiterate with this opportunity that we, Turkey, put much importance on the mission of and give support to the Asian Development Bank.

Turkey is a country that has strong links with a wider geography.

In this vein, Turkey is the center that combines Asia and Europe, and the opening gate of Asia to Europe.

By becoming a member of the European Union, Turkey will not only contribute to the economic, social, and legal structure of Europe but will also become an important center for communication of the Asian countries with Europe.
We know that we have a responsibility coming from history in terms of ensuring stability and peace in our region. We, the Government, are extremely sensitive and determined to fulfill this responsibility.

The stability, prosperity, and accumulation of Turkey will bring stability and dynamism to Europe as well as to Asia, the wide geography that we live together.

For this reason, we are building our economic and foreign policies on a multidimensional and dynamic base.

Within a short period of two and a half years, we have initiated a reform process both in foreign policy and in economy, which the whole world appreciates.

Turkey gained its position in the front ranks among the fastest-growing countries with a ratio of 9.9 in 2004.

Our growth rate in 2002 has been 7.9 and 5.9 in 2003. This year, we have determined our growth rate as 5%.

We have settled many chronic economic problems of Turkey that lasted for tens of years to a large extent, in a short period of time.

We have signed under many astonishing improvements as regards inflation, debt burden, interest, tourism, and foreign trade incomes.

While the export we carried out with Near and Middle East countries in 2001 was $4.6 billion, this figure reached $10.5 billion in 2004. There has been an increase of 128% in three years.

Of course, even this is not enough.

I believe that our foreign trade with Asian countries will rise to the desired level and the foreign trade on its own will reach to level of $100 billion in the forthcoming years.

Another subject of importance is the progress we made in the investments, particularly in the international investments.

In Turkey, the private sector investments increased 30% in 2003 and 49.3% in 2004.

And the increase in the performance of Turkey in terms of international investments has now been accepted by all the economic environments.

With a new law enacted in 17 December 2003, it is now very easy to invest and establish a company in Turkey.

The results of our endeavors have slowly begun to bear fruits. According to the recent researches, today Turkey is among the five leading countries of the world in terms of the speed of the companies to start businesses.
From this date till the end of December 2004, a total of 3,095 foreign capital companies have been established.

The amount of foreign direct investment, which did not exceed $1 billion in the decade before June 2003 apart from some exceptions, has reached $1.694 billion in 2003 and $2.568 billion at the end of 2004.

Turkey is moving ahead with giant steps in the way to be the center of intercontinental trade with its rising economy, its democracy of advanced standards, its environment of stability and trust.

Turkey presents unique investment opportunities for Europe as well as Asia, removes all the barriers before investment, and displays a very significant graph of success as regards becoming a production and investment center.

I sincerely believe that the entrepreneurs in our Asian friend-countries will make best use of this opportunity and take the subject of investment to Turkey to their agenda.

As I have mentioned at the beginning of my remarks, the Asian Development Bank assumed a historical responsibility for the reduction of poverty throughout the world.

We fully believe that this holy responsibility will be fulfilled with the endeavors of the Honorable President and the member countries.

Turkey will always be on your side in this struggle.

As I end my remarks with these feelings and opinions, I would like to thank you for listening to me.

Once again, I would like to welcome you to our country and Istanbul, wish for the success of Asian Development Bank 38th General Assembly, and extend my best regards to all.
Opening Address by

THE MINISTER OF STATE IN CHARGE OF ECONOMY OF TURKEY

THE HONORABLE ALI BABACAN

I would like to extend a very warm welcome to everybody. Welcome to Turkey, welcome to Istanbul!

I am grateful to all Governors and the ADB Management that the honor of hosting this spectacular event has been granted to Turkey.

We are so proud to host you in the city of Istanbul, blessed by God with the magnificent view of Bosphorus. Once described by a traveler, “Bosphorus attaches and detaches two worlds and two seas with a single key”. Two worlds are meant to be Europe and Asia and two seas are Black Sea and Marmara. Indeed, ancient sailors could easily recognize both continents as the sun rise from Asian shore of Bosphorus and set on the European shore. That is why Asia was called the land where the sun reigned. As it is said it “Ex Oriente Lux”, light comes from the East.

This is the land where Asia meets Europe. This is the land where many cultures blended together. Our culture is built up on the concepts of peace, understanding, and tolerance, what the world needs the most at the moment, in creating a prosperous and peaceful future for all. However, to build a peaceful world, we also need strong economies, reduced poverty, and sustainable environment. In fact, this is exactly what the Asian Development Bank is striving for from the very beginning. Turkey’s membership in ADB at the beginning of 1990s was a crucial step forward in opening up new frontiers for Turkey in a fast-track globalization era. Our membership was a significant sign of the mindset change in Turkey; a move to become a more outward-oriented country.

Our relationships with ADB for the last 14 years have always been very cooperative and constructive. I am confident that we will continue with the same spirit in years ahead. Hosting the Thirty-Eighth Annual Meeting of the Asian Development Bank, will further strengthen our bonds and create an increasing awareness of the Bank’s commendable activities.

Today, targeting to achieve Millennium Development Goals and adopting country focused, performance-based allocation of resources, ADB finances a wide range of projects. Projects bringing electricity to poor in rural towns of Afghanistan, providing grant to promote primary education in Cambodia and helping to protect rich diversity of People’s
Republic of China’s Sanjiang Plain wetlands are enough to demonstrate the determination and decisiveness of ADB in achieving its mission. The region’s giant infrastructure investment needs call for a greater involvement on the side of ADB. I would strongly advise that the Bank should continue to be a substantial provider of infrastructure finance. Apart from providing development financing, I should also underline the Bank’s role as a hub of technical assistance and expertise for the region. The Bank should discover more in this area. The Bank’s ongoing role in facilitating in regional integration is also praiseworthy. We support these efforts and believe in the merits of regional cooperation and integration.

The Bank has made substantial progress in many of these areas under President Tadao Chino. Yet I very much believe the energy that Mr. Haruhiko Kuroda would bring in the Bank will help us to better serve the region’s needs. Mr. Kuroda is a very accomplished economist and policy practitioner with admirable personal skills. His wisdom and experience are invaluable assets for the Bank. Mr. President, I sincerely wish you a successful term for carrying out the missions of ADB.

I would like to say a few words on the disastrous tsunami of last December. The aftermath of the disaster was a human tragedy with 300,000 causalities and nearly 2 million people drifting in poverty. ADB acted in a very well prepared way. I would like to thank the Bank and the staff for their timely and organized response to this humanitarian crisis.

The affected countries’ call for aid has been responded by many countries including Turkey. In February, Prime Minister Recep Tayyip Erdoğan visited the disaster region. We are committed to support further initiatives to rehabilitate and reconstruct the disaster area.

I would like to move to recent developments in Turkish economy. Turkey has entered into a phenomenal transition and transformation era. Given the global and geostrategic importance of the country, the change process in Turkey is being very closely followed by the world.

I would like to briefly talk about this change process. The reforms in Turkey have been concentrated in two major areas, the political reforms and the economic reforms.

The political reforms were mainly made within the context of European Union accession. Turkey has been going through a “silent revolution” during the last several years. To have a better functioning democratic system in Turkey, to make sure that human rights and
freedoms are better and better respected in Turkey, and to make sure that rule of law reigns in Turkey, we have been going through tremendous reforms.

As of end of last year, Turkey was able to complete the critical mass of political reforms so that the country was eligible to start official negotiations for full membership to the EU.

The negotiations will start in October 2005 and it is going to take a long time for Turkey to adjust. What is important for us is the transformation process itself. What is important for us is the more reforms that Turkey will go through. By converging more and more to the EU, we believe that Turkey is going to be more and more of a sophisticated country in every sense.

European Union is an entity which embraces common ideals and values and these are universal ideals and values. Especially after 9/11, the change in this region is inevitable and it’s very important which direction this change is going to happen.

If we can prove that a country like Turkey, which is a Muslim country by population, country can be thoroughly a democratic one if we can prove that this country can also achieve to share universal democratic values of Europe, this will change how the civilizations will evolve in the future.

Stability and the security of the region will be very positively affected. European Union will be the place where civilizations meet in harmony. Turkey will add a new strategic dimension to the Union. So the benefits of Turkey being in the Union is not important just for Turkey, is not important just for Europe, but for the whole world.

And that is why when the European Council made the decision about Turkey on December 17th, it was the number one news all around the world. So, Turkey is going to go through this enormous change process during the negotiations.

The second area that we concentrated our efforts of reforms is economy.

Turkish economy had huge chronic problems. We had double digits of inflation in Turkey year after year for more than three decades. And finally, last year we saw single digit inflation after more than thirty years. This year’s target is 8%, next year’s will be 5%, and following year will be 4%. Our inflation figure will be more and more in line with the rest of Europe.

Our growth has been quite significant. After an average growth of only 2.8% for 10 years from 1993 to 2002, Turkey was able to achieve
a growth percentage of 5.9 in 2003. Last year’s growth was 9.9% one of the highest in the world.

Our interest rates have been shrinking, down to historical low levels. Still high compared to most of European countries, but is declining quite fast.

The main policy tool behind these achievements that we had in our hand was on the fiscal side. Turkey has been very careful with its budget for the last two years. Our budget deficit to GNP ratio peaked to 17% in 2001. This year we will be completing by a budget deficit of around 4.5–5%. Next years’ budget deficit, which is overall government sector deficit is planned to be around 2%.

So fiscal discipline, fiscal adjustment was the key policy instrument behind the successful results that we got in the last 2 years. Also monetary policies conducted by our independent Central Bank in line with our inflation target were also crucial in bringing down inflation.

Turkey is becoming more and more of an open economy. Our external trade volume last year was $160 billion, and our GNP last year was $301 billion. So our external trade volume exceeded 50% of our GNP last year and it seems that this percentage will increase more and more.

Turkey is attracting more and more capital from overseas. We have a new FDI Law by which we no longer differentiate between foreign and domestic companies in Turkey. If a company is incorporated in Turkey, we do not care who the shareholders are. As long as it is incorporated in Turkey, it receives identical treatment. We also made it very easy to start a company. It takes literally just one day to start a company in Turkey.

All these made foreign investors more and more interested in Turkey. Historically for the ten years before our government, 1993-2002, the FDI inflows to Turkey on average was about 1 billion dollars, which is very low compared to Turkish foreign trade or Turkish GNP and so forth. In 2003 the figure increased to 1.7 billion. In 2004 it was 2.6 billion. From 2005 to 2007 we are expecting an inflow of an average of $5 billion a year.

The more liberal economic environment, the less regulation and the less amounts of bureaucracy we have in our system, the more investments will be made in Turkey.

I would like to share just a few figures with you in order to explain how lively Turkish economy is.

In Turkey right now, we have 256 television channels. All but 5 are private. Around 30 of these are national channels, and the rest of them are local channels. These channels are surviving, even making profit
by working on purely commercial basis. We have 1,100 radio channels nationwide.

Human resources of Turkey is going to be our biggest asset. Human capital is very crucial for Turkey. Turkey is the number one country in Europe in terms of sending students to the USA for higher education. All over the world we are number 5. We have young and also more and more well educated population.

This will help not only Turkey, but to the whole region. A country of 72 million people which has a per capita income of US$4,172 as of last year, is a sizeable market for any multinational company. If we adjust this GNP by purchasing power parity per capita income in Turkey is close to $8,000. So, domestic market is quite a sizeable market.

And the country is in the middle of Europe, Central Asia, Middle East, North Africa, Russia, and it acts as a bridge between all these regions. When you take Turkey as a center and draw a circle of a 4-hour flight, this circle covers one fourth of the world’s GNP and one fourth of the world’s population. Ease of access to these huge markets, is also something which makes Turkey an attractive place for investments.

In terms of relations with the neighborhood—with Europe, Russia, Asia, Middle East—also the Turkish people are very well accepted all around the region. Turkish businessmen go to Afghanistan, and do business very easily. They go to Iraq or any Arabic nation, Israel, Greece, and Russia, and they are very well accepted in each of these countries.

Turkish managers and professionals are more and more being promoted to oversee the region. When a multinational company comes to Turkey and starts doing business with Turkey, the local managers become promoted to be the regional managers because of the cultural reasons and ease of doing business with the region.

As I said, Turkey was able to attain a significant result in a relatively short time, both on the political and economic front. If you ask me, what was the most important factor behind this success; I can answer you just by one word which is ‘confidence’.

We have been very consistent in our policy implementation. We were very careful about continuity of policies. Whatever we promised before the elections in terms of our economic policies, we delivered.

We were very transparent and detailed in terms of telling about our economic policies before the elections in November 2002. We had meetings in Turkey, Europe, and the US, in order to communicate what we intend. When you look at what we have done during the 2.5 years of our Government, it is exactly whatever is promised before the elections.
So, this predictability, this transparency, and delivering our commitments month after month, year after year helped us build a huge confidence. And what is more, by putting Turkey into the track of EU accession, we also brought long-term predictability about the political environment in Turkey.

The EU process, defines very clearly what kind of a country Turkey is going to become 10 years, 20 years from now on.

So, I do not want to take more of your time at the official start of these meetings. I hope that the meetings will be very successful.

I tried to share my views on the work of Asian Development Bank and give you a very brief picture of the most recent developments in Turkey.

I expect that Istanbul meetings will contribute to the progress of ADB has achieved so far and prove to be most productive and fruitful.

I would like to welcome you again to this magnificent city of Istanbul. I hope that you find time from your busy schedule to see around also. There are lots of things not to be missed out there. I wish you a very fruitful and enjoyable time here in Istanbul.
Address by

THE CHAIRPERSON OF THE BOARD OF GOVERNORS
AND GOVERNOR FOR TURKEY

IBRAHIM H. ÇANAKCI

It is a great pleasure to welcome the Asian Development Bank, member country delegations, distinguished guests and participants to this 38th Annual Meeting in the ancient and beautiful city of Istanbul. As you know, the honor of hosting this meeting in Turkey has been long awaited and eagerly anticipated. I extend my sincere wishes to all of you for an enjoyable and productive week.

ADB and Turkey have a strong, if relatively young, partnership. It is a relationship characterized by deep mutual respect and friendship, and of course by a shared passion for improving the lives of the people of Asia and the Pacific. As a country that bridges the two continents of Asia and Europe, this is an issue of great importance to Turkey, and increasingly so as our world becomes more globalized and interconnected. We value our involvement with ADB and look forward to continuing our work together.

As the Chair of the Board of Governors, I would like to officially recognize and welcome ADB’s new President, Mr. Haruhiko Kuroda, who assumed office on February the 1st of this year. President Kuroda was unanimously elected to his post by the Board of Governors following the resignation of former President Mr. Tadao Chino. Mr. Kuroda comes to ADB with a wealth of experience and a strong commitment to foster continued growth, development, and poverty reduction in the Asia and Pacific region. On behalf of the Board of Governors, I would like to wish President Kuroda all the best in furthering this critical mission. I should also thank former President Mr. Chino for his dedicated and committed work and wish him well for the future.

The Asian Tsunami

The year 2004 will stand out in history as the year the great Asian tsunami shook the world. I believe I speak for all Board members in offering deep condolences to all member countries that were struck by significant natural disasters over the last 12 months. The earthquake and
tsunami of 26 December were, of course, unprecedented in scale and impact. For the hardest hit country of Indonesia, subsequent major earthquakes have further deepened this tragedy.

Rehabilitation and reconstruction will take years and I want to assure all affected countries of ADB’s commitment and ongoing support in these efforts.

I am impressed that ADB has responded to this matter promptly, and worked closely with governments, communities, partner agencies, civil society, and others to ensure that the recovery efforts are well coordinated and meet the needs of the survivors.

The Annual Report

Let me turn to the Annual Report, which outlines in detail ADB’s accomplishments of 2004. I will touch on just a few highlights.

As you know, a review of ADB’s poverty reduction strategy, which was completed in July 2004, confirmed the relevance of its three pillars: pro-poor sustainable economic growth, inclusive social development and good governance. The review also outlined a number of areas to be strengthened in order to achieve greater development effectiveness.

I am pleased to note that ADB has taken action on several fronts to respond to the review’s recommendations. For example, ADB’s country strategies and programs are more closely aligned with national poverty reduction strategies and the Millennium Development Goals (or MDGs). All new country strategy and programs will be built on a results framework, and will include progress indicators and monitoring mechanisms.

I am also pleased to note that ADB adopted a Pacific Strategy, covering all operations of the Pacific Department. As we know, the small countries that dot the Pacific face many challenges in achieving sustainable development. The new strategy focuses on private sector development, economic efficiency, social services, and good governance.

To further improve its development effectiveness, ADB also moved forward on a number of management reforms in 2004. To date, ADB has strengthened performance-based allocation of Asian Development Fund resources, established a results management unit, and completed an independent assessment of the 2002 reorganization. It is also noteworthy that ADB developed a new human resource strategy, as an integral part of ADB’s focus on performance management. I commend Management and staff for these initiatives and look forward to further progress in the year ahead.
All in all, I believe these reforms have made ADB a stronger institution that is better able to assist developing member countries in meeting their development goals. In addition to those initiatives, ADB’s accountability mechanism became fully operational in 2004, and the Operations Evaluation Department began reporting directly to the Board of Directors.

The new Public Communications Policy, which was designed to enhance transparency and accountability, was the subject of extensive consultation with a broad range of stakeholders. The policy was approved by the Board just two weeks ago and comes into effect in September 1.

**ADB’s Role in Development**

This is an important year for international development. 2005 is a year of stock-taking on MDGs, which will culminate in the Millennium + 5 High Level Plenary Meeting of the United Nations General Assembly in September. Only one decade remains to achieve the critical targets to which all 191 UN member states have committed.

Two years ago, when I had the privilege of addressing the 36th Annual Meeting in Manila, I noted that the world community had confirmed its commitment to the MDGs through a series of major conferences. I also noted that setting goals is only the start, but achieving them will take a sustained and focused effort over many years.

In February of this year, the Second High Level Forum on Aid Effectiveness set out a blueprint to guide our mutual efforts and accelerate progress towards the MDGs. The Paris Declaration is based on five principles: country ownership, harmonization among donors, alignment with country systems, managing for results, and mutual accountability.

As a whole, the region is on track to reduce by half the number of people living in extreme poverty by 2015. But for most of developing Asia, addressing the full range of MDGs will remain a huge challenge. As the region’s partner in development, ADB has a vital role in working with developing member countries to reach their targets for poverty reduction, education, gender equality, child and maternal health, HIV/AIDS, and environmental sustainability. The MDGs are clearly reflected in ADB’s Long-Term Strategic Framework and in its poverty reduction strategy.

ADB has a number of strategies and policies to guide this important work. Let me briefly mention just three.

First, as we look to the future, it is clear to see that ADB will continue to be a major source of financing for development, and also an increasingly important source of expertise. Over the last 38 years, ADB
has built considerable development expertise in the Asia and Pacific region. Perhaps more than any other institution, it has a deep and broad understanding of the issues facing developing Asia. ADB is uniquely positioned to share lessons learned with its developing member countries.

Second, ADB must strengthen and enhance its role in the area of regional and subregional cooperation and integration. As we know, regional cooperation initiatives have proliferated across Asia and the Pacific in recent years. The successful Greater Mekong Subregion has been one of the fastest-growing regions in the world. Poverty has declined in the subregion and per capita GDP has grown by almost one-third. Similar subregional partnerships are coming together in South, Central, and Southeast Asia as countries increasingly recognize the benefits of regional cooperation. I commend ADB’s leadership in these initiatives and look forward to seeing more in the years ahead.

Third, infrastructure remains a significant challenge across the region. Modern, reliable infrastructure is a fundamental building block for sustainable economic growth and investment. People who lack access to markets, reliable sources of energy, safe drinking water, and communication networks have few opportunities to participate in development and lift themselves out of poverty. This is particularly critical in rural areas, where rural infrastructure investments have been shown to have significant direct effects on rural poverty reduction. But with the current rapid urbanization of Asia, investing in cities also takes on a new urgency.

Concluding Remarks

The Asia and Pacific region has experienced tremendous economic growth in recent decades, leading to substantial poverty reduction. But many challenges remain. As owners and shareholders of this institution, it is up to all of us to look ahead to the horizon, anticipate the development needs of the future, and support ADB to achieve its important goals. The lives of millions of women, men and children depend on our determined action. The worthy goals of the poverty reduction strategy—pro-poor sustainable economic growth, inclusive social development and good governance—can only be achieved with all of our support.

Let me conclude by offering my very best wishes for a successful Annual Meeting, and for another year of progress in reducing poverty across Asia and the Pacific.
Address by

THE PRESIDENT OF ADB

HARUHIKO KURODA

Introductory Remarks

I am delighted to join the Chairman, Mr. Ibrahim H. Çanakci, Undersecretary of Treasury of Turkey, in welcoming you to the 38th Annual Meeting of the Board of Governors of the Asian Development Bank.

We are honored by the presence of the Honorable Ali Babacan, Minister of State in charge of Economy of Turkey, at our gathering this morning.

I would like to thank the Government and the people of Turkey for their warm hospitality in welcoming ADB to Istanbul, a city once known as the capital of capital cities, and one which literally spans two continents. And I would like to extend a warm welcome to all representatives of our development partners, the global financial community, civil society, NGOs, and the media.

Let me also express my deep condolences to all member countries that lost citizens in the recent tsunami. To the Governors of the devastated countries, be assured of ADB’s lasting commitment to the recovery efforts. And to all ADB shareholders, sincere thanks and appreciation for your generosity in assisting these efforts.

Asia and the Pacific: A Region of Contrasts

In the city of Colombo, a small girl has clean water to drink. In Vientiane, a mother uses her own sewing machine, and sells her goods on the global market. In Banda Aceh, a family will have a new house to replace the home devastated by the tsunami. That is what development is all about: changing lives, creating opportunities, working together to bring new hope for a brighter future.

In less than a generation, development—in its broadest sense—has changed the face of Asia. In the last 15 years alone, more than 200 million people in the region have broken free of poverty. Progress has been remarkable. But significant challenges still remain.

In Asia and the Pacific, almost 700 million people—two-thirds of the world’s desperately poor—still struggle on less than $1 a day. In some
parts of Asia, three out of four women are illiterate. Millions of people, especially in rural areas, have no access to clean water and sanitation. Infant mortality rates in some countries are up to 20 times higher than in developed countries. Seven out of 10 of the region’s poorest people live in the largest- and fastest-growing economies. In a region of such dynamic growth, these high levels of poverty are simply unacceptable.

The Millennium Development Goals (MDGs) have set the targets to cut poverty in half and raise living standards around the globe. Can the MDGs be achieved in Asia and the Pacific? That is up to all of us. But one thing is clear: if they are not achieved in Asia, they will not be achieved at all. And if they are, the benefits will be profound—not only for Asia, but also for the world.

A New Era of Development

Today, at our 38th Annual Meeting, we reaffirm our shared vision of an Asia and Pacific free of poverty. A vision of thriving modern economies well-integrated with each other, and with the world.

Sustained, rapid growth is fundamental to achieving this vision. In developing Asia, a 1% increase in household income is associated with a 2% decline in poverty. But growth alone is not enough. To fully realize our vision, I see us moving into a new era of development—more interdependent, more integrated, and more inclusive. A new era of development where nobody is left behind.

This is a moment full of promise. Developing Asia is in the midst of a fundamental and far-reaching transformation. It is no longer on the periphery of the global economy—it is central to global economic progress. Based on purchasing power parity, developing Asia now accounts for almost 30% of global GDP.

Recognizing that what benefits one can benefit all, countries in developing Asia are pursuing regional cooperation. Free trade agreements are proliferating. Intra-regional trade now accounts for nearly half of all trade in Asia.

People in developing Asia no longer just aspire to development—they expect it. Governments are implementing key policy reforms, improving regulatory frameworks and strengthening internal governance and institutions. They are seizing opportunities, and achieving unprecedented development performance. And the international community has committed to investing in developing countries that demonstrate results.
The real potential for achieving higher levels of development effectiveness lies in Asia. Asia is clearly a region where development works. And Asia represents the world’s best hope for meeting the MDGs.

**ADB in the New Era of Development**

Over the past 4 decades, ADB has invested over $113 billion in Asia and the Pacific, including $5.5 billion in loans and technical assistance last year. ADB has made many contributions to development in the region and in our developing member countries (DMCs). We should all be proud of the work we do every day to contribute to Asia’s growth and prosperity.

But dynamic changes in the region also mean that ADB must change. To assist our DMCs in achieving the MDGs, the new era of development requires that ADB become more relevant, more responsive and more focused on results.

As you know, ADB’s reform agenda is a comprehensive and challenging framework for institutional change and renewal. After 4 months in office, I am confident in the progress we are making. We will continue to build upon this progress to further strengthen our development effectiveness. Let me briefly describe the principles of relevance, responsiveness, and results, as they apply to ADB.

**Relevance**

To remain relevant in the new era of development, ADB must address some fundamental challenges, both internally and in our DMCs. For example, we are concerned that our lending levels have been stagnant, that the net transfer of resources to some countries has turned negative, that our operations are sometimes too broad in scope, and that we are not maximizing the significant expertise and knowledge embodied in our institution.

To deal with these issues, we must strive for greater focus and selectivity in our operations. This is the only way we can offer and sustain high-quality products and services to our clients. We must also scale up our financial assistance, especially to support attainment of the non-income MDGs. To meet basic human needs across the region, much more investment is needed in sectors such as water supply, sanitation, education, and health care. Special attention is needed to improve the lives of women in the region, and to address the increasing spread of HIV/AIDS. We also need to engage more effectively with post-conflict and fragile states, in close partnership with others.
We must take on a larger role in helping close developing Asia’s massive infrastructure financing gap, estimated at more than $250 billion a year. To do so, we are working with our DMCs as well as the private sector to finance priority infrastructure projects that improve access for the poor and contribute to economic growth. We are also pursuing innovative ways to catalyze higher levels of private sector investment in infrastructure and other sectors.

Our next Medium-Term Strategy will set out the specific priorities we intend to address over the next 5 years. These priorities will be achieved within the context of our unique role in promoting closer regional cooperation and integration. To do so, we will build upon our existing subregional initiatives, such as those in the Greater Mekong Subregion, Central Asia, and South Asia. We will deepen our partnerships with regional bodies, such as ASEAN+3, in order to improve trade and financial linkages.

The recently established Office of Regional Economic Integration will serve as a focal point for these efforts, and will further enhance our role in promoting regional cooperation and integration. As we move forward, it is essential that inclusiveness underpins these efforts in order to reduce income disparities, and to ensure the benefits of growth are more equitably distributed, both across countries and within countries.

Responsiveness

Let me talk about the principle of responsiveness.

The round-the-clock work of our staff in response to the tsunami showed me what ADB is capable of. The $600 million Asian Tsunami Fund was truly a collective effort to mobilize financial resources so desperately needed by tsunami-affected DMCs. But the new era of development requires more.

To be responsive, we must be timely in all our operations. This year, in a concerted effort to reduce the preparation time for projects and improve project implementation, we will introduce a number of changes to our business processes and internal procedures. We have already streamlined some procedures for procurement and consulting services, and additional changes will be submitted to our Board soon.

To be responsive, we must be innovative. Last year, to assist bond market development, ADB launched its debut local currency bond issues in India and Malaysia. This year, we plan to issue local currency bonds in Thailand, Philippines, and People’s Republic of China. We are
developing, and will soon pilot test, new financial instruments and modalities, including local currency financing, subsovereign lending, refinancing and a multitranche financing facility. To support this initiative and to strengthen our institutional profile, we plan to establish an independent, comprehensive credit and financial risk management unit.

To be responsive, we must be more flexible. This includes less restrictive cost-sharing arrangements and expanding items that are eligible for ADB financing. This will also harmonize ADB’s financing regime with that of other multilateral development banks.

**Results**

Ultimately the value we add to our borrowing member countries and our shareholders depends on achieving demonstrable results.

All of us at ADB are accountable for ensuring that we achieve results. Our Board of Directors is accountable for results. Our management team is accountable for results. And ADB staff are accountable for results.

As part of the Bank-wide implementation of the Managing for Development Results framework, our focus is shifting from activities and inputs to outcomes and impacts. At the project level, for example, our new design and monitoring framework helps identify results early on, along with more specific indicators to monitor progress. We have also prepared results-based country strategies and programs on a pilot basis and will expand this initiative to all of our DMCs.

We are applying our new Performance-Based Allocation policy to allocate Asian Development Fund IX loan and grant resources to our ADF borrowers on the basis of economic management, socially inclusive development, governance, and portfolio performance. And our new Human Resources Strategy includes staff performance plans to promote increased accountability at the individual level, and as part of staff contributions to teams, divisions, and departments.

As we move forward, we are committed to adhering to the highest levels of accountability and transparency. Our new Public Communications Policy places ADB at the forefront of multilateral development banks in terms of transparency and access to information. It gives the public improved access to documents and commits us to greater openness and dialogue with stakeholders. The Office of External Relations will soon be upgraded to a department, and our representative offices will be placed within the new department. Both of these actions will strengthen ADB’s external relations.
To achieve results, we must continue the fight against fraud and corruption. As we work with our DMCs to strengthen their key accountability institutions, we must also guard against corruption and fraud within the Bank and in all ADB-financed projects. The newly established Integrity Division in the Office of the Auditor General is but one example of this ongoing effort.

Concluding Remarks

Today, I have spoken of a more integrated and inclusive Asia and Pacific—a new era of development, characterized by tremendous challenges, but also by a wealth of opportunities. It is an era in which we are all engaged, to which we are all committed. Against this backdrop, I have outlined some of the priorities for achieving results as a regional, relevant, and responsive organization.

ADB is your institution, and your continued support and engagement are essential. I look forward to hearing your views and engaging with you on how ADB can best assist the region in meeting its challenges and in fulfilling its tremendous potential. And I ask you to join me in charting the course for our institution to help build a future of hope, opportunity, and prosperity for all the people in Asia and the Pacific.
ORDER OF SPEAKING

5 May

Indonesia
Japan
People’s Republic of China
Republic of Korea
Italy
Spain
Germany
Socialist Republic of Viet Nam
Finland
The Netherlands
Hong Kong, China
India
Malaysia
Luxembourg
Thailand
United Kingdom
France
Pacific Developing Member Countries

United States
Afghanistan
Bangladesh
Nepal
Canada
Switzerland
Denmark
Portugal
Myanmar
Azerbaijan
Norway
Taipei, China
Sweden
Mongolia
Pakistan
Philippines
Australia
New Zealand

6 May

Cambodia
Austria
Belgium
Bhutan
Kazakhstan
Kyrgyz Republic

Lao People’s Democratic Republic
Maldives
Sri Lanka
Tajikistan
Turkmenistan
Uzbekistan

Statement Circulated But Not Delivered

Solomon Islands
It is a pleasure to be here today. I want to join my fellow Governors in stating how proud I am of how ADB has responded to the tsunami disaster. Because my own country has recently emerged from the ashes of conflict with the support of ADB and others, I know both intellectually and emotionally how important is the support of ADB in this region. In the last few years, Afghanistan has sought to rebuild its relations with the international community. We want to be fully engaged in both regional and global concerns. We hope one day to provide the kind of help to others that our country has so gratefully received these past years. Unfortunately, the severity of our reconstruction challenge is such that we have to focus our primary attention today on Afghanistan’s needs.

For that reason, I will confine my comments today on the partnership between Afghanistan and the Asian Development Bank and share some thoughts on Afghanistan’s reconstruction priorities.

We are proud to have been a partner of ADB since its foundation. ADB has played a significant role in Afghanistan since its inception. From 1969 to 1979, ADB was one of our major donors, disbursing almost $100 million in aid at a time when Afghanistan had difficulty garnering global attention. Following the fall of the Taliban, ADB was the first international financial institution in 23 years to loan funding to Afghanistan. In December 2002, ADB initiated its post-conflict multisector program with a $150 million loan which helped us to begin the modernization of our financial, transport and energy sectors. In response to our strategic initiative of 2004, “Securing Afghanistan’s Future,” ADB committed more than $1 billion of multiyear assistance, making it one of Afghanistan’s top three donors.

We are very pleased not only with the scale of ADB’s support in recent years, but also with the quality of that assistance. ADB’s programmatic approach and willingness to put the Afghan Government in the driver’s seat has set an example that other donors should follow. The vast majority of ADB support has come to Afghanistan in the form of loans over which the Afghan Government exercises significant authority.

* In alphabetical order.
We have achieved a lot together, but much remains to be done. In 2002, we emerged from 23 years of war that, by the World Bank’s estimate, caused Afghanistan to lose more than $240 billion in destroyed infrastructure and lost opportunity. Today, we are highly aid dependent, with foreign assistance totaling more than 90% of our national budget. At current rates of growth, our domestic revenues will not even cover our public wage bill for the next seven years, and our debt sustainability levels remain less than $1 billion.

Our task is clear: we must accelerate our economic growth, and to do that we need infrastructure. If our homes and factories do not have power, and our farmers do not have water or cannot get more fresh goods to markets domestically and abroad, if entrepreneurs do not see basic infrastructure in Afghanistan and invest as a result, our economy will not grow. Without that growth, we will become a dependent ward of the international community at best, and an impoverished, insecure, and potentially destabilizing state at worst.

While donors and Government agree in principle that more than half of our aid should go towards infrastructure, we have had huge difficulties garnering that support. Understandably, donors are hesitant to support infrastructural investments that are costly and take many years to complete. Therefore, we are asked to borrow to rebuild our infrastructure. However, rebuilding our infrastructure largely with borrowed funds will force us to mortgage our future with debts that we will have huge difficulty sustaining.

Therefore, we urge donors to consider the long-term benefits of infrastructural investment, and the risks of continuing to ignore our infrastructural needs. ADB understands both the risks and the great potential of infrastructural investment in Afghanistan and has played a leadership role in this regard. In 2003, it loaned Afghanistan $150 million for rebuilding our power and road networks. Late last year, it approved two additional loans to rehabilitate our airports and rebuild a major road link in the North-West of Afghanistan. We expect to reach agreement on more infrastructural loans with ADB in the years to come. However, our unmet infrastructural needs remain huge, and we need other donors to make similar investments, and to do so in the form of grants that free us from the encumbrance of unmanageable debts.

Donor grants for infrastructural investment are necessary but they are not sufficient for Afghanistan’s reconstruction. As ADB’s investment portfolio demonstrates, we also need massive institutional reform in
Afghanistan, and we are committed to that reform agenda. We are determined to build a capable and efficient government that is clean, effective and service oriented. We are eager to develop an institutional and policy framework that is coherent, equitable, and attractive to business. ADB’s program loans and technical assistance grants have helped us move towards these goals, and we look forward to working with ADB in developing both our financial management systems and a modern public administration.

We urge donors to follow ADB’s example in deciding how your money is spent in Afghanistan. We believe we can best achieve our shared aims if more donor funding goes through government. At present, about two thirds of our national budget falls outside government coordination. The Government of Afghanistan wants the opportunity to prove that it can be cost effective, transparent, and accountable. ADB gives us this opportunity when it lends funds to government and then negotiates tranche conditions with us which lay out objective indicators of success or failure. If we meet those conditions, more ADB funding is released. By lending in this way, ADB helps us to lead responsibly, which is the only way to guarantee Afghanistan’s success in the long term. I ask ADB, together with the World Bank and IMF, to urge Afghanistan’s donors to give us the chance to lead. It is time that the international community holds Afghans responsible for their own development.

Our Government sees institutional reform and infrastructural development as interdependent. We believe that our poverty alleviation and economic growth strategies must be symbiotic. We know that we cannot postpone our political maturation into a free, just, and representative democracy while we address our economic priorities. Afghanistan’s challenge, therefore, is to address all these priorities concurrently and synergistically. That challenge is the theme of our National Development Framework of 2002, and Securing Afghanistan’s Future, developed in 2004. In the coming months, the Government plans to take the next strategic step forward by putting together a National Development Strategy for the coming years.

Building upon past documents, we will lay out a medium-term fiscal framework that will order our priorities and therefore aim to discipline both government expenditures and donor contributions in the years to come. Beyond identifying our developmental needs, that strategy should help us to prioritize and sequence the allocation of precious resources, a huge challenge which will require the understanding and
support of all our stakeholders. We will be asking ADB, the World Bank, and IMF and all our development partners to work with us in developing that strategy and implementing its conclusions.

We are deeply grateful to ADB for its vision, its generosity and its unwavering support for Afghanistan’s reconstruction efforts these past years. We look forward to continuing this partnership as Afghanistan’s journey towards peace, stability, and prosperity continues.

AUSTRALIA

MARK VAILE, Head of Delegation

I would like to join in thanking the Government of Turkey for hosting this 38th Annual Meeting of the Asian Development Bank (ADB). I would also like to congratulate Mr. Kuroda on his election as President of the Bank and thank former President Chino for the wide-ranging reform agenda he has championed in recent years.

This region was hit by the devastating tsunami on 26th of December last year. The loss of life was terrible. In many of the affected areas poverty exacerbated the death and destruction of the tsunami. This underscores the urgency of the mission of ADB to reduce poverty in the region.

It is often remarked that over the last 15 years the Asian region has made great progress in reducing poverty. East Asia has already achieved the first Millennium Development Goal (to halve poverty by 2015) and South Asia is forecast to also achieve the goal before 2015. However, it is important to remember the enormous diversity within the region and that some countries will not meet the goal.

This year is critical in the global fight against poverty. I have just come from the OECD Ministerial Council Meeting where we released a statement following up the UN Millennium and Monterrey Declarations. One thing that is clear is that aid, by itself, does not constitute a growth strategy.

If we are serious about addressing the challenge of global poverty, then trade reform is critical. Australia is working hard to realize the Doha Development Agenda and give all countries—including developing countries—a better deal in trade. However, it is remarkable how hard it is to achieve outcomes that are clearly in the global community’s best
interests. Yesterday in Paris, we took a major step forward in the Doha Round, which was long overdue.

The main beneficiaries of Australia’s unilateral trade liberalization over the last 20 years have been Australians. The benefits to Australia of past trade reform would be shared by other countries if they reduced their remaining trade restrictions. This makes us ask why do many developed countries still impose high barriers on agriculture and back them up with domestic subsidies? Why do many developing countries add to the damage that developed countries trade barriers do to them by imposing even higher barriers of their own to trade?

While aid and trade reform are important, they are not sufficient to achieve the Millennium Development Goals. The key is good governance based on sound institutions, careful macroeconomic policies and an overall environment in which the private sector can flourish. This brings me to the specific role of ADB.

Australia is a strong supporter of ADB. President Kuroda and his Vice Presidents are a strong team. We applaud President Kuroda’s early commitment to deliver the reforms spelled out last year, including in the context of the ADF IX Replenishment. By next Meeting we hope discernible progress has been made in sharpening ADB’s focus on development effectiveness. This will not be easy: major changes in systems, management, and work practices are required and they will need to be driven from the top.

The effective implementation of the new Human Resources Strategy is vital. It requires ADB to manage people very differently and to put an unambiguous focus on achieving better results. We hope to see similar modernization of ADB’s priority setting, work planning, and budgeting arrangements, so that resources will be redeployed quickly and flexibly as needs change.

Australia supports the Paris Declaration on aid effectiveness. We recognize that harmonization of donor assistance will be of significant benefit to many fragile states in the region. We are still a long way from achieving these benefits, and I encourage all countries to strive toward this harmonization at the earliest possible opportunity.

Good governance based on sound national institutions is vital for development. Where such preconditions are not present, a standard lending approach is unlikely to be effective in reducing poverty. We look for the early fulfillment of ADB’s promise to engage in an innovative fashion with vulnerable and fragile states. We also welcome the President’s strong stance against corruption. All of the evidence shows that corruption is
a development issue—it corrodes governance, imposes costs on the private sector, and has a disproportionate impact on the poor.

We are encouraged by the renewed dynamism and energy of the Private Sector Operations of the Bank. But ADB needs to act more holistically in facilitating private sector development. This can be done with a two-pronged approach. The first is by embedding its operations within well-researched country strategies. Clearly specified operational objectives, supported by good performance indicators and evaluation practices, will be needed. The second prong is to ensure that ADB’s public and private sector experts work together more consistently.

ADB can make a greater contribution to strengthening regional cooperation and financial integration. For this reason we welcome the new Office for Regional Economic Integration. ADB could incorporate financial sector strengthening into relevant country strategies, and use all of the tools at its disposal—public sector, private sector, and treasury operations—to address obstacles to financial development.

The Asia Pacific region is dynamic and diverse, but major challenges remain. Everyone has an important role to play. Developing countries have the key responsibility for their own future in terms of the environment they create for development. Developed countries have responsibilities in terms of their trade, aid and financial policies. Multilateral agencies, such as ADB, must continue their reform efforts so that their important work remains relevant and effective in its assistance to the peoples of the region.

AUSTRIA

MARCUS HEINZ, Alternate Governor and Head of Delegation

It is a great honor for me to speak to you today on behalf of the Republic of Austria. Please allow me to begin by thanking the Turkish authorities for hosting this Annual Meeting and the people of Istanbul for their warm welcome and hospitality. The beautiful city of Istanbul has always symbolized openness and cultural diversity at the juncture of Europe and Asia. It, therefore, provides us with the perfect setting for further vitalizing the partnership between our two continents.

Let me also congratulate you, President Kuroda, on your election as the 8th President of ADB. Asia is facing a multitude of challenges such
as the widening gap between the rich and the poor, the negative aspects of globalization and climate change — to name but a few. The continued relevance of ADB for the region on these and other issues depends on the focused leadership you will provide in the coming years.

**Tsunami**

The tsunami catastrophe presented an external shock of unprecedented magnitude, causing widespread devastation for some Asian countries and leaving a previously unimaginable number of people dead. Beside the tragic death of thousands, many — without work and hope — were also driven back into poverty. In this context, ADB has acted quickly and with focus. Austria hopes that ADB will continue to present a leading example of immediate and coordinated aid taking into account that sustained support for a longer term is necessary to help the tens of thousands of persons afflicted.

**Millennium Development Goals (MDGs)**

With this in mind, we should in general not lose sight of our longer-term goals. This year, the international community will evaluate the progress in achieving the MDGs. Although very positive results in some Asian countries have already been achieved, much still remains to be done. High growth rates certainly enable further economic development, yet, parts of society may be bereft of the benefits of economic growth. Economic policy thus should be accompanied by pro-poor social policy to mitigate increasing wealth disparities and inequality between social groups.

ADB itself should continue to make the MDGs the cornerstone of all of its operations in the region. It should keep the fight against poverty as the overarching goal and implement the enhanced poverty reduction strategy adopted last year with a clear focus on managing for development results.

**Climate Change**

After the Kyoto Protocol has now come into effect, Austria believes that ADB should also start to become more conscious about the role it should play regarding climate change in the region. ADB carries a responsibility here both towards its member countries, where the Pacific
states are counted among the most vulnerable, and towards the poor themselves. The poor are the ones least able to shield themselves from the effects of climate change such as desertification and rising sea levels. ADB should help in the preparation for this “Long Term Tsunami” that is going to hit the region and should further expand its advising role in the policy dialogue with governments. It should also further extend its expertise and knowledge in areas such as the Clean Development Mechanism, where potential additional financial resources for Asia are currently lying undiscovered.

**International Trade/Regional Integration**

Last year, the world economy was characterized by uneven and moderate economic expansion in industrialized countries. Asia, however, succeeded to be one of the most dynamic economic regions worldwide with overall impressive economic growth rates between 6.5% and 7.5%. This expansion was driven not only by an increasing internal demand but also by rising exports to the neighboring countries and the rest of the world. Export growth benefited from competitive advantages, regional integration, favorable exchange rates, and a further reduction of trade barriers. Thus, inter and intraregional trade is increasing, leading to favorable economic conditions for most of the Asian countries. However, it will be important to link further trade reforms with measures—such as the creation of social safety nets—which serve to lessen the negative side effects of globalization especially on the poorest and most vulnerable parts of society.

**Good Governance/Private Sector Development**

In general, stable and predictable economic conditions are a prerequisite for a positive business climate, conducive to investment and economic growth. But this business climate is marked not only by a sound macroeconomic policy enhanced by structural reforms, fiscal discipline, and a stable financial sector. Only transparent public institutions, well defined property rights, reliable enforcement mechanism, information, and transparency of all activities, in short: a system marked by good governance will create—in the medium and long term—a stable business environment, where investors can count on predictability and transparency. Austria considers this to be the most influential precondition for long-term growth.
Internal Reforms

In order to keep its relevance for the region, Austria hopes that ADB will stay the course on its necessary internal reforms. In order to meet all the internal organizational requirements of a learning institution, the Bank constantly has to be open for new ideas and willing to consider further internal reorganization where appropriate and most effective. We note that some change is—slowly—taking place. We consider the implementation of the Human Resource Strategy together with the Innovation and Effectiveness Initiative as priority areas which should be focused on in the immediate future.

In the same vein, it is very important to monitor and to strictly control the costs of all operations. We hope that ADB will continue to strive to be a “lean and mean” institution and use resources wisely and with a focus on operations and knowledge building. This should be supported by rigorous audit and evaluation mechanisms that monitor all activities and will be crucial for the improvement of transparency and accountability and the achievement of tangible development results.

In conclusion, I want to thank you, President Kuroda, for taking over the helm at ADB and your staff for their fine work accomplished over the past year.

AZERBAIJAN

MEHMAN ABBAS, Head of Delegation

I feel greatly honored to have the opportunity to speak to you on behalf of the Republic of Azerbaijan at the Thirty-Eighth Annual Meeting of the Asian Development Bank (ADB) Board of Governors.

Seizing this opportunity, I would like to thank the Government and the people of the Republic of Turkey, as well as ADB staff for the warm welcome, kind hospitality, and excellent organizational arrangements for this meeting.

Let me also express our congratulations to Mr. Haruhiko Kuroda, new ADB President, and wish him every success and prosperity in this important mission.

I also would like to thank Mr. Tadao Chino for his valuable and strong leadership that we witnessed in six-year period of his Presidency and wish him strong health and happiness.
Azerbaijan has continued its policy to keep favorable macroeconomic framework that has been started since 1995. GDP growth rate has averaged 10% annually over past 10-year period. In 2004, foreign exchange reserves reached US$2 billion, external debt ratio has been kept at 20% of GDP and the inflation rate was 6.7%.

Last year, a new midterm state program has been approved on socioeconomic development of the regions that is consistent with the country’s poverty reduction strategy with a special focus on balanced regional growth.

Construction of the Baku-Tbilisi-Ceyhan oil pipeline is expected to be completed this year. That will give another impulse to integration of the country economy to the regional one. To ensure efficient use of the oil revenues and better channeling of these resources toward economic diversification, non-oil sector development, as well as poverty reduction and employment creation, the President of the Republic of Azerbaijan has adopted a long-term strategy on use of oil revenues.

Privatization and public administration reform is underway. Budget planning process has been further developed by introducing midterm budgetary planning and Public Investment Program according to the new Law on Budget Systems. Anti-corruption strategy has been developed through active participation of international community and nongovernment organizations.

As a result of the successful macroeconomic policy, structural reforms, and implementation of targeted national programs on poverty reduction and regional development, the Government of the Republic of Azerbaijan together with its developing partners has been able to reduce the poverty level in the country from 47% in 2002 to 40% in 2004.

Azerbaijan has also been consistent in its policy commitment to the widening of integration and cooperation with the international community. This has been reflected in the country’s recent US$1 million donation to support tsunami-affected areas. Using this opportunity, I extend our deep condolences to the countries affected by this disaster.

Azerbaijan joined ADB in 1999. Since then, the country has received ADB’s continuous support in implementation of its strategic development programs. In 2004, ADB approved two projects for Azerbaijan for US$30 million to improve water supply and sanitation services in secondary towns and five technical assistance grants totalling US$2.6 million. The following priority areas have been identified by the Country Strategy and Update (2005-2006) for ADB assistance in Azerbaijan:
- internally displaced persons;
- agriculture and rural development;
- social infrastructure development; and
- road infrastructure development.

In addition, Framework Agreement on Private Sector Development was signed in 2004. This opens up new opportunities for Azerbaijan to channel ADB resources towards SME sector development and creation of new employment opportunities.

The country will mark this year as beginning of a new process, namely the formulation of a new long-term program for national sustainable development (2006-2015) in close cooperation with donor organizations. This program will be a continuation of State Program on Poverty Reduction and Economic Development and the chosen timeframe will allow a more complete alignment with the global and national Millennium Development Goals.

Highly appreciating continuous support by ADB Management and its valuable staff under the new leadership of President Haruhiko Kuroda, we invite ADB’s active participation in preparation and implementation of the abovementioned long-term development agenda for the country and wish every success, both ADB and the member countries, in their tremendous efforts towards reducing poverty and sustainable development.

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**BANGLADESH**

**M. SAIFUR RAHMAN, Governor**

It is a great pleasure for me for being able to be present here in this beautiful city of Istanbul and to address today this session of the 38th Annual Meeting of the Asian Development Bank (ADB). I join other distinguished fellow Governors in extending to you, Mr. Chairman, my delegation’s warm felicitations on your election to chair this meeting. I would like to record our deep appreciation for the hard work done by President Kuroda and his team of competent staff for organizing this big annual event. Our particular thanks are also due to the Government of Turkey and the people of Istanbul for their warm hospitality and excellent arrangements.
We regard ADB as a dependable, friendly, and very important development partner of ours. ADB's assistance helped us in a very crucial way in our developmental endeavors and in achieving notable success particularly in the areas of agriculture, education, and poverty reduction. ADB has also been a major donor in energy and road infrastructure, and recently extended assistance for the development of port (Chittagong Port) management. Since becoming a member of ADB in 1973, Bangladesh has received assistance from it to the tune of US$7.57 billion. This year, in the year 2005, we are expecting that ADB’s loan commitment for Bangladesh would be around US$680 million, which would be the highest ever for Bangladesh. My Government expresses its sincere appreciation for ADB’s contribution to meet our development needs.

We have already received ADB’s Annual Report 2004. I take this opportunity to congratulate ADB for having this excellently informative and analytical report published. With the change in ADB’s lending philosophy, opting to addressing the poverty issue of the region as its overarching goal, ADB has become a vital development partner of Bangladesh in the field of poverty alleviation activity. Despite the huge challenge, Bangladesh achieved one of the fastest rates of poverty reduction in the world in the last 15 years. One of the most important basis of this success is public-private collaboration in microfinance. I may claim that Bangladesh is the place where the concept of microfinance was born and very successfully laboratory tested. It is heartening that ADB is actively considering microcredit or microfinance as a very effective vehicle of poverty alleviation. ADB Annual Report has rightly chosen “The Changing Face of the Microfinance Industry: Building Financial Systems for the Poor” as the special theme. Indeed, the nature of the microfinancing organizations/institutions is rapidly changing. In Bangladesh we are presently working on two laws: (i) microcredit bank law and (ii) microcredit regulatory authority law. With the enactment of these two laws microcredit activity in the country would become institutionalized and assume a new dimension. Capital is important for the people, however, we must also emphasize the fact that the state also needs to invest in a big way for the development of basic social and physical infrastructures. These need to be in place, so that poor people can readily use them and try to come out of the trap with the help of small capital extended through the structure of microfinancing.

As you are aware, we are witnessing some turmoil in the international economic arena and having some consequential internal fallout. Particularly we have experienced some shocks in our economy.
due to dollar depression and oil-price rise. We have also suffered a
devastating flood in 2004 that affected about 38% of the area of Bangladesh,
and caused extensive damage to standing crops, infrastructure, and
livelihoods of about 39 million people. Despite the setbacks caused by
external factors and natural calamities, we have been able to recoup
the momentum of our economy without much loss of time. We are
expecting an estimated GDP growth of about 5.3% in 2004-2005 fiscal
year, slightly lower than 5.5% in the preceding year of 2003-2004.

May I recall here that Bangladesh has always been able to manage
its economy to grow. On the average, it grew at a rate 2.7% in the 1970s,
3.7% in the 1980s, 4.8% in the 1990s, and 5.1% during 2000–2004. We have
been able to reduce the incidence of poverty and even absolute poverty,
we have achieved enormous enrollment and also gender parity in the
primary and secondary levels of education, higher rate of literacy, a rapid
decline in population growth rate, and a steady decline in infant mortality.
And for the first time, Bangladesh was ranked by UNDP in 2003 as being
in the medium human development group.

No doubt Bangladesh has made considerable in-road into the
reduction of income and human poverty over the years, But, still, we
have a long way to go. Bangladesh is a poor country consisting of a very
big population of 140 million living in a small area of only about 56,000
square miles. Economic development and poverty reduction has thus
become a daunting task. Poverty alleviation has remained our principal
policy goal for economic development. To address the challenge, the
Government has formulated the Poverty Reduction Strategy Paper (PRSP).
PRSP has devised a pro-poor approach of economic development and
identified seven strategies for its realization. We are happy to note that
ADB has also started preparation of a new Country Strategy and Program
for Bangladesh. While we always appreciate ADB’s assistance with regard
to poverty reduction activity, I may remind that it has been estimated
that, to achieve the poverty reduction objectives and related MDGs by
2015 or by the time limit set in the Partnership Agreement between ADB
and the Government of Bangladesh on Poverty Reduction (PAPR),
Bangladesh’s economy need to grow at a rate of around 7-8% a year.
For this, massive investment in almost every sector and effective resource
mobilization, both from internal and external sources, are required.

After coming to the state power in October 2001, my Government
undertook and completed several reforms, particularly in the financial
sector management. We have disciplined and stabilized the
macroeconomy of the country by adopting an appropriate fiscal and
monetary policy. We have been able to reduce the fiscal deficit from 6.2% of the GDP in FY2000 to 3.2% in FY2004, maintain stable commodity prices by keeping the inflation level low, and improve foreign exchange reserves to US$3.2 billion due to increased export earnings and remittance by the nonresident Bangladeshis. I may here mention that Bangladesh has been able to register a double-digit growth in exports of goods and services for almost a decade and achieve phenomenal increase in remittance due to some innovative actions taken by the Government, which reached an estimated total of US$3.4 billion in 2004.

We understand that ADB’s Board has authorized the eighth replenishment of the ADF (ADF IX), which covers 2005-2008. Donors had recommended a replenishment of US$7.0 billion. This had been significantly higher than the US$5.65 billion agreed during ADF VIII. While we are happy on this success of ADB in having a higher replenishment commitment, we are nonetheless concerned about the fact that ADF lending to Bangladesh has been diminishing. As a B1 category country, Bangladesh is eligible to borrow mainly ADF loan with limited amounts of ordinary capital resources (OCR) loan. The Partnership Agreement for Poverty Reduction (PAPR) concluded in April 2000, envisaged that ADB will attempt to maintain an average annual lending level in the range of US$400-500 million, including an ADF component of US$350-400 million, subject to resource availability, country performance, and the assistance provided by other donors. But in reality ADF lending to Bangladesh for the past few years has been dwindling, coming down to US$198.9 million in 1994. It is also evident that the overall net transfer of resources from ADB to the developing member countries (DMCs) has also been decreasing. Total transfer of ADF resource has declined from US$717.15 million in 2002, to US$640.76 million in 2003, and to US$458.54 million in 2004. We are concerned with these trends, and hope that with the ADF IX in place the trend now would be reversed. Increased concessional assistance and net resource transfer are very crucial for a DMC like Bangladesh. The efforts of the DMCs in achieving some of the MDGs might suffer serious set back if ADF is not maintained at a level which can effectively carry forward and sustain the good work that they have undertaken in addressing the problem of poverty.

I support ADB’s opting for the Managing for Development Results (MfDR) in handling of its loan portfolios. ADB has also adopted Performance-Based Allocation (PBA) of ADF resources. However, it has correctly been stated in ADB’s Annual Report that country ownership and capacity to manage for results is of primary importance for the success
of the ADB’s MdDR agenda. I can say that this is also true with regard to PBA. We feel that while results should be emphasized, real needs of the DMCs, which are engaged in a bitter struggle of poverty eradication, must not be overlooked. Country specific realities, the size of the country, and special or unique features/situation need to be taken into account in making assessment for allocation.

Loan utilization capacity is crucial in the performance matrix. If we look into the disbursement position percentage wise our cumulative loan disbursement position (77.43%) is not much lower than the ADB average (81.39%). It is also above the south Asian average. Having said that, we admit that our aid utilization position needs to be greatly augmented. We have been working for capacity building and streamlining of procedures in this regard. The fundamental implementation problem was the complicated procedure of project approval, requiring long-drawn processes, and the bottlenecks in affecting procurement of goods and services under development projects. We have accordingly revised the project approving procedures, reducing the number of documents and time required, and also delegating much power to the executing agencies for quicker disposal. We have also formulated and put in place the Public Procurement Regulations 2003 (PPR,03) and a Procurement Procedure to streamline and standardize procurement processes and ensure transparency. We hope that with the new practices in place we would be able to improve the situation substantially. In this regard I may like to call upon ADB to come forward to harmonize and align its procedures, particularly procurement and project monitoring procedures, with that of the DMCs for quicker implementation and assumption of ownership of the projects by them in line with Rome Declaration and Paris Meeting of High-Level Forum on Harmonization.

I may also in this regard point out that ADB’s development projects are increasingly becoming stringent upon numerous conditionalities, particularly the loan effectivity conditions. These conditions are very often contributing to delaying the loan from becoming effective after the signing, and eventually leading to late commencement of projects and in case of OCR loan causing the Government to pay commitment fee for this period of waiting. For making projects/investments meaningful conditions may be considered important and sometimes necessary, but it is felt that too many of them may contribute to undertaking of less number of projects causing lesser commitment and flow of resources into the country and also may cause delay in the startup of projects and thereby hinder the pace of implementation. For smooth undertaking and implementation
of projects, the number of conditions might be kept at the minimum. Also the conditions proposed for compliance need to commensurate with the national priority and strategy.

My Government believes in two things: to reform and to ensure openness of the economy for greater development and benefit. We have also been striving to establish good governance. Bangladesh has seen many significant structural and sector reforms implemented with the assistance of ADB and other development partners. These include reforms in sectors like finance and banking, energy, agriculture, telecommunications, etc. With regard to good governance, the independent Anti-Corruption Commission has started working, Bangladesh Telecommunication Regulatory Commission and Energy Regulatory Commission have been made operational, a separate judicial service commission for recruitment of judicial officer has been constituted with a view to help ensuring quality and impartiality of the judiciary. The Government is also making sincere and all-out efforts to address the law-and-order situation, which in recent months has witnessed significant improvement.

BELGIUM

RENE LEGRAND, Temporary Alternate Governor and Head of Delegation

I wish to convey the apologies of Minister Reynders who had to cancel his attendance at the very last minute due to domestic political contingencies despite of his personal interest in the institution and in the host country.

I seize this opportunity to reiterate the deepest condolences of Belgium to the populations’ victim of the tsunami and their authorities. I sincerely hope that reconstruction will speed up and that the population will be back as soon as possible on the path of development and prosperity. Thanks to its dynamism, the region has shown at several occasions in the past an impressive resilience in front of a variety of serious unfortunate events. It will be the case once more. As far as it is concerned, in parallel with the preparation of the approval by the Parliament of its contribution to ADF IX, Belgium is envisaging to contribute to the Tsunami Fund recently
created by the Bank to participate in the reconstruction efforts of the countries struck by this disaster.

During the recent months, true to a model developed during the preceding decades which achieves poverty reduction through growth and employment, Asia is pursuing its impressive economic growth. This growth cannot avoid to raise serious legitimate worries in front of the challenges and opportunities it generates, worries which arise to a large extent from the demographic weight of the region in the world and from the fact that no economist could testify to have ever observed an economic phenomenon of such a magnitude. When two countries representing 40% of the world population enjoy an annual growth of at least 5%, the resulting demand is unprecedented and inevitably provokes economic imbalances at international scale. The most visible aspect of those tensions can be observed on the markets of several products—energy, raw materials, intermediate goods, and even in some services such as maritime transport. This even contributes to raise questions on the sustainability of the production and consumption patterns and habits of each of us. It is hence desirable to carefully analyze the implications of this to provide suitable and timely answers to the problems it will generate. Sustainable growth is more than ever on the agenda, since after all, we just have one planet and we would need several ones to pursue on this path.

I will not insist here on those issues which are treated and where corrective measures are prepared and discussed. I wish to limit myself to highlighting the impact of such a growth on the activities of the Bank whose volume of resources will remain modest in many respects in front of events of these magnitudes. Despite the variety of growing needs generated by this growth, the Bank will have to constantly redefine its role in the high growth countries of the region.

In those countries, it will not be a mere issue of providing long-term resources at a reasonable cost but to manage growth, which means managing its “negative externalities” and see to it that the available resources, wherever they come from, domestic or foreign, be optimally allocated. In this respect, the latest Development Committee has reminded the essential role of good governance, key to a modern, efficient, and transparent management of the economy and of public services and the guarantee of an efficient and equitable distribution of resources for development. The international financial institutions (IFIs) have a major role to fulfill in the implementation and dissemination of good governance. One important aspect is to consolidate the economic and social results
of the recent past. A few years ago, the financial crisis showed that the progress made could be wiped out in very little time. It is therefore advisable to take advantage of this period of prosperity to improve what has to be improved and, in particular to correct the imbalances developing within the societies and communities: rise of inequalities, exclusion from the benefits of growth, lack of progress in several social issues such as health, child mortality, and education of the girls. What is needed is not so much ambitious initiatives and reforms of a large scope but rather financing the multiple activities at lower levels where one finds most often the obstacles and impediments to a satisfactory functioning of the institutions.

To this priority of investing in good governance, I would add another one: the most visible externality of the strong growth of the region is its impact on environment and the worries it is raising. The Bank has to assist the authorities of the member countries in limiting this impact. The initiatives of the international community in this field have often been perceived as attempts to raise obstacles against the development of the regional countries through the multiplication of constraints related to new investments. A partial answer to this problem has been to allow the use of local criteria. It is therefore from now on at the level of national policies and of their implementation that the assistance of IFI has to be focused: improving the capacity of the local agencies in the analysis of the impact of activities and in the design of mitigation measures.

Unfortunately the flattering situation of the countries at the forefront of economic news is not shared by the other countries of the region whose features and evolution are more diverse. The assistance to central Asia remains a challenge. In the subregion several countries enjoy an increase of the export prices of their commodities while in others the transition process is lagging due to lack of appropriate resources. In the former ones the overall economic indicators do not reflect the real evolution of the countries and of their social situation. The promotion of good governance has to aim at promoting sound public finance management as well as at improving the absorptive and institutional capacity of the local authorities. This would allow them to improve their performance and to be allocated their fair volume of multilateral assistance, particularly of ADF IX resources. Another priority for those countries is the speeding up of their transition and the introduction of a legal and regulatory framework allowing the development of a real market economy. In the spirit of the harmonization among IFIs, task sharing among those operating in the subregion has to be observed.
In South-East Asia, there is a need to assist the countries of the subregion to manage the risks of a possible inversion of the positive factors which enabled them to show good performance in the recent months: adverse evolution of the exchange rates, of the interest rates, of the price of oil and of the US dollar, a slow down of growth and its impact on their export prices.

Turning to the Bank itself, Belgium is delighted to have heard from you during the inaugural session that the reform process initiated by your predecessor will be pursued, in particular in the fields of incorporating the MDG in the national programs, of selectivity in operations, of decentralization, and in result-oriented management.

I began my speech by alluding to a model specific to the region which allowed to achieve remarkable progress in poverty reduction thanks to a sustained growth. In 2004, the Development Committee has to a certain extent taken note of this and has restored through its recommendations the need to balance the priority of social initiatives and the one of promoting growth and in particular the investment in infrastructure. This is precisely in those latter fields that the Bank has always enjoyed a reputation of excellence. However, in other fields it has sometimes raised criticisms. We are therefore delighted that the recent and forthcoming initiatives aim at correcting this imbalance. But the Bank will achieve tangible results in this only if the countries themselves are committed to improve their social indicators.

We have no doubt about the capacity of the Bank to keep under your leadership thanks to its results in the field the highest regards it enjoys from its member countries.

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BHUTAN

LYONPO WANGDI NORBU, Governor

First of all, I would like to take the opportunity to convey to this august gathering, warm greetings and best wishes from our King, His Majesty Jigme Singye Wangchuk.

Let me also join the other speakers in expressing our gratitude to the Government and people of Turkey for the warm welcome and kind hospitality extended to us. The beauty of Istanbul city befits the spirit
of cooperation and partnership between the Asian Development Bank and its members.

I would like to congratulate you on your election as the Chairman of the Board of Governors for this meeting. I have no doubt that, under your able leadership, this meeting will contribute significantly in deepening our mutual understanding and fine-tuning ADB’s strategies towards promoting rapid economic growth and reducing poverty in the region.

My congratulations also to Mr. Haruhiko Kuroda on his election as the eighth President of ADB. We are confident that under his dynamic stewardship, the Asian Development Bank will continue to be responsive to the needs of its member countries, in particular the small and vulnerable developing economies.

While the region continues to witness impressive economic performance, several member countries are struggling with the burden of rebuilding their economies. As noted by all the speakers, the Asian tsunami last December brought untold tragedies to the people in those countries and added, yet another dimension to the problems confronting them. Our deepest sympathies lie with the people of these countries. In this regard, we commend the Bank for the instantaneous response made in the wake of the disaster. We fully support the Asian Development Bank in setting up of Tsunami Trust Fund for reconstruction and rehabilitation for the worst-affected areas.

It was reassuring to note from the President’s address that ADB’s continued commitment to fostering economic development in the region through its overarching goal of poverty alleviation is bearing commendable results. We truly appreciate the pro-poor growth initiative, which can make significant contributions towards attaining the Millennium Development Goals (MDGs). We share the belief that it is only by addressing the problems of the poor that there can be a sustainable overall development in a country.

We also fully appreciate the efforts made by ADB in encouraging greater regional cooperation and integration. The gains can be tremendous as already seen in the Greater Mekong Subregion. Bhutan is a member of the SASEC initiative, which is continuing to make headway. I have no doubt that we will stand to gain also from this initiative, just as the other such initiatives of the Bank.

I was also glad to note that the Bank would take on a larger role in helping finance the large infrastructure gap. For a country like Bhutan, this has a special significance with its infrastructure still mostly
rudimentary. Bhutan also supports the Bank’s initiative in moving towards a results-oriented assessment of its operations.

As regards Bhutan’s state of development, we are currently midway through our Ninth Five-Year Development Plan (2002-2007). I am glad to mention that we continue to make good progress in achieving the MDGs. So far, two targets have been met. We are also well on track towards achieving several of the other goals by the target year. These were possible because of the strong political commitment, positive policy environment, and generous support from our development partners. Yet great challenges still lie ahead for us. Our economy, like those of a number of other developing member countries, is highly vulnerable, dependent as we are on a single commodity. We hope that the Bank will continue to consider our problems in a different light.

On the economic front, the support of our development partners has ensured a relatively healthy Bhutanese economy. We have, on average, experienced a growth rate of 6%, mainly on account of investment in infrastructure, which is still a basic area of deficiency as I mentioned earlier. Our foreign exchange reserves and external balances are relatively comfortable. Debt service ratio stands under 5%, and inflation for the first quarter of 2005 is around 4%. The financial sector is fairly robust, and credit to private sector is growing rapidly, forming over 70% of the total financial sector credit during the year 2004.

I am proud to share with fellow governors, a development of immense importance for the future of Bhutan. We are poised towards taking a quantum jump in our development efforts, through a parallel development on the political front. We stand today at the threshold of stepping into the realm of parliamentary democracy with a constitutional monarchy. A draft constitution has been prepared for the country under the personal initiative of our King, and this forms a great landmark in Bhutan’s political history. The draft constitution was circulated to the public on 26th March 2005 for public discussion before its official adoption. Good governance has been one of our major hallmarks, and this has enabled us to make large strides in our development. By progressing to a more formal democratic system, we are hopeful that good governance will be further enhanced.

We also feel proud to mention that we have a very good track record for aid utilization. Both our internal resources and aid resources have been used in the most effective manner. They are used in the agreed and intended purposes, and this has been appreciated by all our
development partners. In this regard, ADB’s performance-based resource allocation should stand us in good stead. We would only like to suggest that sometimes-slow disbursements, which occur due to lack of complementary resources, be not equated with poor performance.

Bhutan remains grateful to ADB for the numerous financial and technical assistance it received. They are in the critical areas, vital for socioeconomic development and poverty reduction. We would also like to put on record our appreciation to ADB for increasing our country allocation to US$63.98 million for the biennial period 2005-2006. Our association with ADB has been most fruitful, and it continues to be one of our most important multilateral development partners. We are confident that under the leadership of President Kuroda, Bhutan-ADB partnership will be further strengthened. May I take this opportunity also express our gratitude to the former President Mr. Tadao Chino, for his great leadership of the Bank.

I would like also to place on record my country’s appreciation to ADB’s donor member countries for their continued commitments, especially for their contributions to the ADF IX replenishment. Bhutan is encouraged by the words of commitment spoken by many donor member countries in this meeting. On our part, we shall endeavor to meet the challenges.

In conclusion, I would like to once again express our appreciation to the Government and the people of Turkey for the outstanding hospitality. I would also like to commend the ADB management team for the excellent arrangements made for this meeting.

Tashi Delek

CAMBODIA

AUN PORN MONIROTH, Alternate Governor
and Head of Delegation

Allow me to join other member countries in thanking our host, the Government of the Republic of Turkey, and especially the authority and people of Istanbul, for their warm hospitality extended to us during our stay in this beautiful and culturally rich city. I would like also to express
our sincere gratitude to Management and staff of ADB for the excellent arrangements made for this meeting.

Let me take this opportunity to congratulate H.E Mr. Haruhiko Kuroda for having been unanimously elected as President of ADB. Meanwhile, I also wish to express our sincere gratitude to the former ADB President, Mr. Tadao Chino for his strong commitment and significant contribution to the Bank’s wide-ranging reform and to the improved service delivery for member countries during his term at the Bank. I wish him well in his new mission.

Allow me also to take this opportunity to express our deep condolences to the member countries that suffer the loss of lives and assets, caused by recent tsunami. On the other hand, I praise the Bank for its effective and efficient response to the disaster.

We agree with President Kuroda that Asia is living in the new era of development given its current role and weight in the global economy, and that there is a real potential for the region to achieve higher level of development effectiveness and to meet the MDGs. This dynamism suggests that ADB as the regional development bank must also change to cope with the regional transformation. We therefore strongly support the President’s commitment to respond to these challenges by focusing mainly on three key areas: more responsive and client-oriented; catalyst role for greater regional economic integration; and streamlining procedures, reducing bureaucracy and improving the range of financial instruments to ensure meeting the priority needs of member countries.

We thank ADB for endorsing Country Strategy and Program 2005-2009 for Cambodia, which was prepared by aligning with the Government Rectangular Strategy and with the broad participation of all stakeholders. In this respect, we appreciate the Bank for recognizing the country’s ownership in this CSP formulation exercise. We most welcome the introduction of grant financing for poorer and post-conflict countries under ADF IX that will, of course, help in debt burden relief and provide strong leverage and encouragement for policy reform and governance improvement in those countries. At the same time, we are of the view that the current PBA system at the Bank is reasonable and well-balanced enough and let us keep it working for a few years without frequent changes. We endorse the Bank’s approach in adopting and applying CPIA principles and framework of the World Bank, but conducting the exercise independently. We also believe that the private sector window of the Bank should expand and strengthen to cope with the needs and challenges of the region and of the Bank as a broad-based development institution.
Let me now turn to the development in Cambodia. Since its formation on 15 July, 2004, the Royal Government of Cambodia has launched the Rectangular Strategy for Growth, Employment, Equity, and Efficiency. We are of clear view that we are accountable not just to our people but also to taxpayers of donor countries. From this perspective, governance has been and continues to be the top item of our development agenda.

The Royal Government of Cambodia well understood that reform is a live-and-death issue and it is a day-to-day work for improving, enhancing, strengthening and expanding our capacity, capability, and potential in order to keep up with the development of society, economy, technology, and politics within the country, region and the world. Implementing reforms require not only political will, but also considerable human and financial resources. Cultural and political context has to be taken into account too.

We are pleased that our efforts have yielded encouraging results. In 2004 Cambodia’s economic growth was 6%, driven by expanding tourism sector, garment exports, construction and oil exploration activities. Inflation averaged 3.9%, reflecting higher oil and food prices. The dollar/riels exchange rate depreciated by only 0.9%. The international foreign reserves continue to increase covering around 3 months of imports. Prudent fiscal and monetary policies contributed to the stability of the exchange rate.

The development in international trade in 2004 shows that exports increased by 23%. The imports also increased by 17%. The number of tourists visiting Cambodia in 2004 reached a 1 million mark, increasing by 50%. The construction activities increased by 30%, in which the house construction increased by 37%, apartment construction increased by 28% and other construction by 31%.

The macroeconomic outlook in the medium term appears to be stable, due to expansion of the tourism sector, continued growth in garment exports and oil and gas exploration, which ensures economic growth in 2005 within a range of 4–5%. Inflation is expected to remain below 5%.

To improve the outlook for future economic growth, which we believe is the prerequisite to poverty reduction, my Government has taken steps to broaden and strengthen bases of growth by diversifying the economy, with stronger focus on agriculture, enhancing governance and strengthening government capacity, improving trade and investment climate, reorienting capital outlays toward development of rural areas,
and promoting agro-industry and small and medium-sized enterprises. In all these efforts, we believe that economic integration and international cooperation continue to be the main pillars supporting economic growth in Cambodia.

I would like to conclude by expressing once again our deep appreciation to the Board, Management and staff of the Bank for their hard work and impressive accomplishment in responding to the needs and challenges of the region and individual member countries, and especially for the support and assistance in the rehabilitation and development in Cambodia. We look forward to continued strong partnership with the Bank.

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**CANADA**

**ALISTER SMITH, Alternate Governor and Head of Delegation**

Allow me first of all, on behalf of the Government of Canada, to thank the Government of Turkey for graciously hosting this 38th Annual Meeting of ADB. It is truly a pleasure to discover this magnificent city and this wonderful country.

We would also like to welcome President Kuroda’s participation and wish him every success as President of the Bank.

**Canada’s New International Policy Statement**

Canada’s new International Policy Statement, released just last month, presents an integrated approach to managing Canadian foreign policy objectives in this rapidly changing world. It outlines a new approach that aims to ensure that Canada’s development assistance is directed to areas of high need where prospects for development results are greatest.

Correspondingly, Canada’s support for multilateral institutions will increasingly be a function of their role and contribution to poverty reduction, development effectiveness, global governance, attaining the MDGs and improving transparency in procurement.
The Role of ADB

Canada believes that ADB has a unique role to play in the Asia and Pacific region. We are pleased that it is engaged in a very dynamic process of change. Looking ahead, the following issues will be of particular importance to us: (i) ADB’s strategic vision; (ii) its areas of focus and operational selectivity; (iii) its institutional capacity, and, (iv) its efficiency and effectiveness.

Strategic Vision

- Given the push for greater effectiveness and efficiency among multilateral development organizations, ADB needs a clear and more focused strategic vision. The Medium-Term Strategy for 2006-2010 offers an excellent opportunity to formulate this vision.

Areas of Focus and Operational Selectivity:

- The Bank is burdened by a complex array of goals and thematic objectives. The way forward lies in greater selectivity and real focus at the country level, in coordination with other development partners.
- However, that does not mean that Canada thinks ADB should become a narrowly focused institution. Along with poverty reduction, Canada believes that the Bank should emphasize issues such as eliminating corruption, as well as promoting regional integration, gender equality and environmental objectives.
- Also important are the effective implementation of the revised Poverty Reduction Strategy and the preparation of a Middle Income Country Strategy. The Middle Income Strategy must reinforce ADB’s poverty reduction mandate and maintain the essential integrity of key safeguard policies, while streamlining processes to increase the competitiveness and relevance of ADB products and services in these important countries.

Capacity

- Ultimately, ADB’s human resources are the key to its success. We encourage ADB to speed up the implementation of the
Human Resource Strategy, including more transparent and merit-based human resource management practices.

- For its part, Canada is ready to support a strengthening of the human and operational capacity of the Bank, based on a comprehensive analysis of the needs generated by the policy and reform initiatives under way.

Efficiency and Effectiveness

- Much is being done to improve efficiency and effectiveness and we applaud the Bank’s efforts in this regard. However, we urge ADB to raise the quality of its work on capacity building. In particular, ADB needs to strengthen its capacity to deliver on gender equality, including increasing the number of gender specialists.
- Canada values the work of the Private Sector Operations Department. Improved collaboration between the public and private sector operations of the Bank will ensure that these operations are better aligned with the Poverty Reduction Strategy and the development effectiveness objectives of the Bank. We would also recommend that the Bank adopt an independent review of risk assessment for the Private Sector Operations Department.

Conclusion

We welcome the many new initiatives underway at the Bank. They contain a large number of benchmarks against which the Bank will be judged. The challenge now will be to follow through.

We strongly encourage President Kuroda to pursue the reform process with determination, with the goal of making the Bank a more modern, efficient and effective institution. Canada stands ready to support the President and the Bank in this endeavor.
JIN RENQING, Governor

It is my pleasure to attend the 38th ADB Annual Meeting in the beautiful city of Istanbul. First of all, please allow me to extend my appreciation to the Government of the Republic of Turkey for its thoughtful arrangement for the meeting. I would also like to avail myself of this opportunity to congratulate Mr. Kuroda again on his election as the President of ADB.

In retrospect of 2004, I am delighted to see that most economies in the region experienced stable growth and that poverty situation in the region continued to improve. Asia remains the world’s most dynamic region with the greatest development potential. However, we should also be soberly aware of the enormous challenges faced by the Region: many countries in the Region are still underdeveloped and there is still a long way to go to achieve Millennium Development Goals (MDGs). Besides, the volatile international economic environment also casts a shadow over the Region. Therefore, the Asian economies should speed up economic and social development, and strengthen their capacity to address the external shocks through cooperation. Meanwhile, ADB should continue to support poverty reduction and development in the developing member countries (DMCs) as its core mission.

As the largest multilateral development institution in the Region, ADB has over the years made important contribution to the region’s economic and social development, which the People’s Republic of China (PRC) highly appreciates. Certainly, there is still room for ADB to further improve its work. Hereby, I would like to make the following observations:

We noted that the total lending of ADB in 2004 decreased compared with that of 2003; the net transfer of resources to the DMCs has been negative for the two consecutive years. To meet the demand of DMCs better, ADB should make efforts to maintain a reasonable level of lending while improving its aid effectiveness, and further strengthen its support to the private sector.

Regional cooperation plays a key role in promoting economic development, bridging development gaps, safeguarding regional stability, and achieving common prosperity. Promoting regional cooperation is a
due responsibility of ADB as mandated by its Charter. It is also one of the Bank’s comparative advantages. We noted that ADB has made great efforts in supporting regional economic cooperation and achieved substantial results, which is applauded and appreciated by many DMCs, including the PRC. I hope that ADB will further strengthen its study on regional cooperation, continue to play its role proactively as the coordinator and financier, and increase its support to the Central Asia and Greater Mekong Subregion economic cooperation mechanisms. The PRC has attached great importance to and actively participated in the Central Asia and Greater Mekong Subregion economic cooperation, and made its own contribution through concrete actions. In July 2005, the PRC will host the Second GMS Summit, which will definitely push the cooperation among the GMS countries to a new high.

Over the four decades since the establishment of ADB, our region has undergone profound changes in the political, economic and social dimensions. ADB should conduct careful reviews of the region’s development practice, and, based on that, form a new development paradigm that best suits the situations of our region, thereby providing theoretical support to the reform and development of the DMCs.

Last but not the least, ADB should continue to improve its service by listening more to its borrowers, enhancing its client orientation, streamlining its procedures, lowering lending cost, and developing more innovative lending instruments, among others.

For years, the PRC has been dedicated itself to alleviating poverty through growth and development. About 220 million people have been lifted out of poverty since 1978, and the per capita GDP in the PRC exceeded US$1,000 in 2003. The PRC has now entered a new development stage and is striving to build a harmonious society in all aspects. The Government of the PRC has started to implement a new and scientific development philosophy that puts people first and highlights the sustainability of development. The new development philosophy focuses on achieving balances between urban and rural development, development among different regions, economic and social development, man and nature, and domestic development and opening to the outside world.

The PRC will continue to improve the partnership with ADB. We hope that ADB will continue to play an active role in the PRC’s modernization. Meanwhile, the PRC’s development experience will help enrich the development theories of ADB. While developing its own economy, the PRC is willing to contribute more to the development of
the region in the form of financial, technological and human resources. After the US$30 million contribution to the ADF IX in 2004, the PRC donated another US$20 million to ADB for establishing the PRC Fund for Poverty Reduction and Regional Cooperation. This embodies the strong trust in and support to ADB by the PRC as a responsible shareholder. This also reflects the PRC’s firm commitment to the development and cooperation in the Region.

To build a world of lasting peace and common prosperity has become the shared aspiration of all people in the new century across the globe. The PRC stands ready to join hands with ADB and other member countries to create a brighter future for the Region.

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**DENMARK**

**OLE MOESBY, Governor**

Let me join others in thanking the Government of Turkey and the city of Istanbul for hosting the Annual Meeting. We are privileged by the excellent arrangements and the kind hospitality. A warm welcome to Mr. Haruhiko Kuroda—the new President of the Asian Development Bank.

Last year ended on a tragic note. The tsunami on 26 December killed close to 300,000 people and destroyed the livelihood of millions. I would like to commend ADB on its fast response to the disaster.

Today, Asia is the most dynamic region in the world in terms of economic growth. While poverty is declining, progress has been diverse. Deep pockets of poverty remain, the gap between the rich and the poor is widening and income inequalities are increasing. Nine hundred million people in Asia still survive on less than US$1 a day.

Pronounced inequality is not only unacceptable in moral terms—it also undermines sustainable growth.

Integration and cooperation—one of the major themes at this Annual Meeting—is a key factor in creating sustained economic growth in Asia. However, in the end its success will depend on a cohesive approach to poverty reduction.

Economic growth is not in itself a panacea for poverty eradication. Much more needs to be done. ADB has a very important role to play in promoting equitable and pro-poor economic growth.
Good governance is paramount. The rule of law, human rights and a well-functioning public sector that fights corruption and ensures fundamental social services promote social stability and a climate conducive to broad-based economic growth. We all have an obligation to support good governance and fight corruption—not least ADB, the trusted family doctor of the region.

ADB is faced with many challenges. Development effectiveness is one of them. ADB took an important step forward in enhancing its effectiveness when formulating the so-called Reform Agenda last year. Initiating a process of transformation aimed at—on the one hand—providing more efficient support to the developing countries in Asia and—on the other hand—becoming a more modern and transparent organization. The implementation of both tracks is equally important if ADB is to stay relevant, efficient and effective. We urge the Bank to continue the process of becoming more efficient and transparent.

Harmonization and aid coordination are vital. We commend ADB for promoting the harmonization agenda at the institutional level. We would also like to see ADB play a more active role in aid coordination and harmonization at country level under the country leadership and in line with national priorities. In this context, decentralization to resident missions, including sufficient resources and authority is an important and necessary element.

Let me conclude by ensuring you, President Kuroda, of our full support to your leadership in the years to come. We look forward to working together with you.

FINLAND

PERTTI MAJANEN, Governor

Let me join the previous speakers in expressing my Government’s appreciation to the authorities of our host country Turkey for the warm welcome and generous hospitality, and to the management and staff of ADB for the professional and high-quality preparations of this annual meeting.

I also want to express my Government’s congratulations to you, Mr. President, on your election to this important position where you can greatly influence the direction that development in Asia takes. I am
confident that ADB will continue and strengthen its work in the fight against poverty under your presidency and look forward to working with you to advance the important mission of the Bank.

Let me also take this opportunity to present our gratitude to former President Chino for his outstanding work in ADB.

This year 2005 begun under very tragic circumstances in the immediate aftermath of the tsunami disaster of enormous proportions. ADB responded to the disaster commendably, by rapidly fielding missions to the affected areas and later on by establishing the Asian Tsunami Fund for the reconstruction efforts. We highly appreciate the manner in which this work has been done so far. We trust that the collaboration and coordination with development partners continues and is further strengthened in the implementation phase under the leadership of the countries and with the full-fledged participation of the affected communities. Only then can effective and tangible results be expected.

This year is very important for development. Our Heads of State will gather in New York in September to assess the progress made in achieving the universally embraced Millennium Development Goals. Progress so far in the Asian region implies that attainment in particular of the non-income MDGs constitutes a complicated challenge, and will not be possible without strong political commitment. ADB has an important role to play in supporting its borrowing member countries in translating the MDGs into specific targets at country level, customized to nationally defined priorities and to the individual context and needs of each country. For Finland, ADB’s contribution to the Millennium Development Goals is a key criterion for assessing its development effectiveness.

Sustainable economic growth based on the dynamism provided by a vigorous private sector is important but not enough. The benefits of growth are extended to the entire population only by ensuring the empowerment and participation also of the poor and vulnerable, and thus including them in the mainstream of development. Equity and social cohesion are essential elements in the pursuit of long-term prosperity.

A special challenge for ADB is how to be a relevant and effective partner to all borrowing member countries. We support ADB’s efforts to adjust and reassert its relevance and responsiveness in particular in the middle-income countries. We can also support the increased emphasis on regional integration in the context of a greater value-adding strategic focus and selectivity, in line with the overriding objective of poverty reduction. Furthermore, we would also like to underline the countries’
own responsibility of their poor. Our own experience as well as recent international studies demonstrates that competitiveness of the economy goes hand in hand with equitable and quality education and social services, caring for the environment, absence of corruption and enhancing gender equity. ADB could gear its work to be a champion for a more equitable growth in its client countries.

The issue of anticorruption deserves special attention. We commend ADB for its intensified fight against corruption, but more can be achieved. We support, Mr. President, your remarks on the need to eliminate corruption. We encourage you to make this a central theme in ADB, and are very interested to learn how you intend to approach this objective in more practical and concrete terms. We believe that there is a clear need for a strengthened effort by all the multilateral development banks to work together in tackling corruption, to develop and implement common guidelines and approaches, to aim at cross debarment and public disclosure of sanctioned firms and individuals. The review of the implementation of ADB’s Governance and Anticorruption policy provides a good opportunity to add momentum to these efforts and mainstream the anticorruption activities in all Bank operations.

Last year we were very pleased to agree on the adoption of the reform agenda. ADB has demonstrated remarkable efforts in enhancing its development and institutional effectiveness in accordance with the objectives articulated in this agenda. Transforming the institutional culture of an organization requires long-term commitment to actively manage the change processes. It also requires the support of a motivated staff. If this is lacking, any change will be half-hearted at its best. Thus we wish to stress the importance of an efficient and transparent human resource management. The tools are there, in the new Human Resource Strategy. We will be assessing its true value by the manner in which it is implemented.

In the reform agenda ADB also reconfirmed its engagement in international harmonization and coordination efforts. We appreciate ADB’s commitment to the conclusions of the Paris high-level forum, including the action plan to foster ownership, alignment, harmonization, managing for results and accountability. Active collaboration at the institutional level is important, but cooperation at country level is fundamental in enhancing development effectiveness. We would like to see ADB give more attention and take an increasingly proactive role in country level coordination and harmonization efforts. We realize that this requires greater delegation of resources and authority to the country level, and are ready to support this process.
To conclude, I wish to reconfirm Finland’s strong partnership with the Asian Development Bank. We have great confidence in the Bank as a proponent of welfare in the Asian-Pacific region.

FRANCE*  

RAMON FERNANDEZ, Temporary Alternate Governor and Head of Delegation

On the eve of the 40th anniversary of the Asian Development Bank, it is with great pleasure that I present, on behalf of France, my warmest wishes for our institution’s continued work for economic development and poverty reduction in Asia. I would also like to thank the Turkish authorities for enabling us to meet in such good conditions and pleasant surroundings.

I would like to share with you today some thoughts on three subjects I feel to be of particular importance: the Bank’s response to the repercussions of the tsunami, the quest for innovative sources of financing to achieve the Millennium Development Goals in 2015, and the continuation of work on the Bank’s reform agenda.

2004 was a particularly contrasted year in Asia. Although economic growth rose again to reach 7.4% (excluding Japan) in 2004, the year was also deeply marked by the exceptionally tragic event of the tsunami. France commends ADB’s swift response to this disaster in freeing up considerable resources to help the hardest hit countries. We would like to thank President Chino, President Kuroda, and their teams for their great responsiveness.

We feel that there are now three issues at hand: first, to guarantee the quick disbursement of the $600 million earmarked for the tsunami; second, to ensure that the diversity and magnitude of the international community’s contributions do not undermine the quality and consistency of the reconstruction projects to be implemented. And third, to rapidly rebuild ADB surplus account resources, whose value was demonstrated by the recent tragic events.

France will pay particular attention to these aspects and, for its part, will ensure that the €300 million in concessional loans it committed

* Statement delivered in French. Translation supplied by the delegation.
for reconstruction are put to work in cooperation with the other development institutions, and first and foremost ADB. The surge of solidarity has been commensurate with the extent of the tragedy. Our collective responsibility to soundly manage the funds rallied is all the more vital. Otherwise, the legitimacy of the aid itself could be enduringly compromised. We have no right to fail, the challenges to eradicate extreme poverty in Asia remain huge, but they are within our reach.

To succeed in this endeavor, we have to stay on the path of responsible macroeconomic policies and continued solidarity. As you know, France feels it is vital to step up the international resources allocated to development if the Millennium Development Goals are to be achieved. The simplest way of doing this is obviously to increase the budget resources earmarked for this undertaking. Hence France, which will devote 0.44% of its GNI to development assistance in 2005, will continue with its effort to attain 0.5% of GNI in 2007 and 0.7% in 2012. Yet this effort will not be sufficient in the short term, and neither will the possible additional debt forgiveness under discussion. This is why France supports the adoption of innovative financing methods to mobilize predictable resources in addition to existing ones.

We are currently working with our British friends on a pilot international financial facility for vaccination and are also exploring, in particular with Germany, the possibility of international solidarity levies, as for instance a modest contribution on air transport allocated to fighting AIDS, a scourge which struck over eight million people in Asia.

With a view to the United Nations summit in New York in September 2005, France, which has heard the wish of many Asian countries to see their economic and financial concerns taken more into consideration at international level, is waiting for your support on this issue so that we give us together the means to achieve the goals set in 2000.

A last word on the Bank’s agenda, since helping the tsunami victims will not be ADB’s only challenge in 2005. The reform agenda decided on in June 2004 is particularly ambitious, since it covers both the improvement of certain internal procedures and the Bank’s intervention strategy. Following the many steps forward already made, France sees three points as being of particular importance. As regards internal procedures, we feel it will be advantageous for the Bank to introduce a new human resources management policy as scheduled by the end of 2005 so as to keep control of its growing administrative costs and reward the most talented staff. Considering the Bank’s operations,
we welcome the swift development of operations to support the private sector, but believe that this expansion should go hand in hand with a thorough analysis of the risks as recalled yesterday by President Kuroda and should not be limited to equity investments.

Last but not least, we welcome the adoption of a new performance-based allocation policy in December 2004 and hope that this new approach will help further the countries with the highest quality governance and provide the wherewithal for the Asian countries to achieve the Millennium Development Goals in 2015, especially the challenge of reducing child mortality.

France firmly believes that ADB should continue to play a pivotal role to stimulate Asia’s economic development and ensure that this process benefits all the populations. President Kuroda and the Bank’s staff can count on France’s full support in this endeavor.

GERMANY

USCHI EID, Governor

Let me express my sincere thanks to the Government of the Republic of Turkey and the city of Istanbul and their people for their invitation and the perfect management of this year’s annual meeting. Their hospitality shows that they live in the good tradition of this country and of this city, which have been a bridge between the civilizations of Asia and Europe for millennia.

Mr. President, I would like to congratulate you most cordially upon your unanimous election. Our heartfelt thanks go to your predecessor, Mr. Tadao Chino. His presidency has preserved good traditions of the Bank and introduced important new traditions—and this has happened in a period in which ADB has held an important position within the international community in the efforts for sustainable development and against political, economic, and social crises in Asia.

On the other hand, many Asian countries’ economies are flourishing—and ADB has played an impressive part in many of these success stories. In parallel, the partnership between Asian and European economies has developed very dynamically. The large investment flows from Europe and Germany to Asia, which had stagnated temporarily, are
once more increasing. And more and more Asian investors, in turn, are beginning to show interest, for example, in Germany as a business location.

Just a few months ago, we were all deeply shocked by the tsunami disaster that had a devastating impact on parts of Asia. This was paralleled by great solidarity with the survivors on the part of people all over the world. In Germany, too, there is great willingness to provide sustained assistance.

Now it is vital not only to use resources as efficiently as possible but also for Indonesia and Sri Lanka to do everything in their power to resolve the conflicts in their countries peacefully.

ADB, too, has responded to the disaster in the way in which we expected this “main bank” of Asia to act: quickly and without red tape, yet based on a long-term perspective, and relying on innovative financing from reserves and net income. It is particularly important for the Bank to help with reconstruction and rehabilitation that leads to economic, social, and ecological conditions that are better and more sustainable than they were before.

The reemergence of poverty belts along the coasts must be prevented.

Tsunamis and earthquakes are matters of fate, they are unavoidable. But Asia also has other problems of similar proportions, namely the deficits with regard to the achievement of the MDGs—and they are human-made.

I would therefore like to make three appeals to the Bank, to the member states, to ourselves:

- First, we must find common paths to “pro-poor growth.” Growth must always be socially balanced. Lacking that, economic success and prosperity are built on shaky ground.
- Second, the Bank, we all together must help reduce deficits with regard to non-income MDGs. As the respected “family doctor” of Asia, ADB must identify, not least, the social and political causes of deficits and call on member states to undertake efforts to eliminate them.
- Third, it has become imperative for many countries of Asia to embrace environmental and resource protection and sustainable development. Otherwise, high growth rates will increasingly turn into self-deception, or even self-destruction. The economic and social damage caused by environmental
degradation, polluted air, hazardous water and by the cost of necessary remedial action can quickly cancel out part of the growth that has been achieved through hard work.

The Bank and its member states together must join the efforts to achieve this MDG. This is all the more relevant given that the 58th UN General Assembly adopted a resolution making 2005 to 2015 the International Water for Life Decade, which started on World Water Day on 22 March 2005. However, it is not enough to take committed action for sustainable development if it does not extend beyond one’s national borders. Such an approach would hit back at us like a boomerang, because environmental degradation and damage to the climate have regional and global impacts.

In his inauguration speech, President Kuroda gave figures to describe how much catching up Asia has to do in terms of infrastructure investment. What we found encouraging in this context was his reference to the huge savings potential and abundant exchange reserves in this continent. This obviously makes it possible to eliminate the infrastructure deficit without having to neglect poverty reduction. President Kuroda is quite right in regarding ADB, in its role of the most important development institution of Asia, as a catalyst for this process. Mr. President, you have Germany’s full support in this endeavor.

HONG KONG, CHINA

PETER PANG, Head of Delegation

Mr. President, let me first of all congratulate you on your election as President of the Bank. I must next thank Turkey for graciously hosting this year’s Annual Meeting and join other Governors in extending our appreciation to the Bank’s management and staff for making these excellent arrangements.

I would like to take this opportunity to welcome the successful conclusion of the 8th replenishment of the Asian Development Fund (i.e., ADF IX). This managed to safeguard a provision of US$7 billion for lending to the region’s most needy economies from 2005 to 2008. As well, we support the introduction of a grant element in ADF IX which offers much needed relief to the poorest people in Asia. Notwithstanding that Asia’s real GDP grew 7.3% in 2004, the fastest pace since the Asian financial
crisis occurred in 1997, the distribution of income in the region remains highly uneven. The toll on human lives and the massive destruction left behind by the tsunami attack last December reminded us that fighting poverty remain both a continuing—and daunting—task for the Bank.

While the Bank has done a commendable job in reducing poverty in the low-income economies, those members who have attained a reasonable level of development have a different set of needs. Many of them have ready access to private capital, given the abundant liquidity available in the global financial markets, so they do not turn to the Bank for lending. But the greatest challenge these emerging markets face is how to achieve a more balanced and sustainable growth in the midst of globalization. As more economies in the region move to the middle-income category, I urge the Bank to proactively consider ways and means to help them meet the new challenges of changing times.

Sustainability of the region’s future growth seems to lie in the growing trend of intraregional trade and economic interdependence among Asian economies. Propelled by greater production sharing within the region, emerging Asia’s share of world exports of merchandise goods has doubled over the past two decades from 10% in 1985 to 20% in 2003, and from 20% to 26% if Japan is included. Intra-regional trade is growing at an average of 14% a year, almost double the growth of world exports of 7.5%. It currently accounts for half of East Asian exports, up from around 30% in the mid-1980s.

While trade integration within the region is likely to grow, financial integration shows a more mixed picture. In terms of financial intermediation, meaning the flow of savings into investments, other than foreign direct investment, through the banking, debt, and equity channels—the degree of financial integration is not high at all. The very substantial volume of foreign reserves accumulated in the region, amounting to more than US$500 billion last year alone, goes mainly to the developed rather than the regional markets. When some of the capital from the developed market is recycled back to the region, it is of a more volatile and potent nature, and it can be difficult to cope with as we saw it in the late 1990s.

There is now a common desire among economies within the region to reduce dependence on the recycling of domestic savings through the developed markets, and therefore reduce vulnerability to financial shocks, by promoting greater regional financial intermediation. A number of regional initiatives are being implemented, most notably the Asian Bond Markets Initiative under the ASEAN+3 forum. The Initiative includes
studies on issues such as new securitized debt instruments, issuance of debt by international financial institutions, regional credit guarantees and enhancement facilities, and the establishment of local and regional credit-rating and credit-enhancement agencies.

Another initiative is the Asian Bond Fund project, a collective initiative led by the Executives’ Meeting of East Asia-Pacific Central Banks or EMEAP comprising 11 central banks and monetary authorities in the Asia Pacific region. Like other bond-market initiatives, the ABF project portends well for market broadening and deepening. First, it introduces and promotes new fixed-income products to the Asian markets—in this case, exchange traded bond funds. Second, it helps improve market infrastructure; for instance, EMEAP has selected an independent index company to develop a set of brand new bond indices covering the eight EMEAP markets based on price information from active market participants. The new set of indices, by itself, will be an important piece of financial market infrastructure for the region. Third, the initiative has helped accelerate tax and regulatory reforms in both the regional and domestic markets.

The Bank, with its mission as the region’s development bank, is well positioned to assist the emerging market economies in Asia in meeting the challenges of globalization by acting as catalyst for financial integration as well as coordinator for regional cooperation. In the past year, the Bank has contributed to capital market development in the region through issuance of local currency-denominated bonds in India; Hong Kong, China; Malaysia; and Singapore. More local-currency bond issuances are expected, as the discussions with the People’s Republic of China, Philippines, and Thailand are under way. The Bank is also providing valuable support to the Asian Bond Markets Initiative through the former Regional Economic Monitoring Unit, which is now known as the Office of Regional Economic Integration. Mr. President, your decision to expand this Office and dedicate it to regional cooperation matters is a timely and welcome move. I am sure the region as a whole will benefit, as the Bank will enhance financial stability by strengthening regional surveillance and augmenting its profile in regional cooperative initiatives.

Despite these efforts, developments, and—dare we say it—successes, there are still many challenges lying ahead of us. One-fifth of the world population is still living in poverty, and there is still room for improvement in poverty reduction. At the same time, the Bank should promote regional cooperation to achieve sustainable growth and to
narrow the income gap among economies in the region. Mr. President, I am confident that under your leadership, the Bank will play an even greater role in the provision of expert advice and in enhancing financial cooperation in the region. You have our unremitting cooperation and support.

INDIA

RAKESH MOHAN, Alternate Governor and Head of Delegation

We are meeting at a time when developing Asia has achieved its best growth since the 1997 financial crisis. This has been possible due to continued strength in external demand, buoyant domestic demand and a marked revival of business investment. However, the emerging global macroeconomic scenario has some discernible dark clouds in the horizon. These have arisen due to imbalances in growth among major world economies, continued high oil prices, which are predicted to remain sticky in the foreseeable future, and the continuing twin-deficits in the USA. Firming up of interest rates in global markets and inflationary pressures in some developing Asian countries are distinct possibilities in case the larger macroeconomic imbalances remain unaddressed.

In coming years, as the global economy goes through the process of addressing these challenges, Asia would need to share the burden. It is possible to play our role in this adjustment process through coordinated action and increased economic cooperation so that developing Asia can avoid paying a disproportionate cost. While major economies play their role for orderly adjustment of the imbalances, developing Asia needs to be firmly committed to successful implementation of reforms, nurturing domestic investment and demand, strengthening financial systems, and above all, to following policies and strategies that facilitate “inclusive” growth.

Regional Economic Cooperation

I am glad that ADB has hosted a Governors’ Seminar on the theme of “A Road Map for Asia’s Economic Cooperation and Integration.” The seminar was timely and relevant for policy makers in the region. The
starting point for any such economic cooperation is normally trade. Today, the largest trading partner for developing Asia is developing Asia itself, with very significant potential for further intensifying intraregional trade.

Confining economic cooperation to trade would be missing the larger potential of this region. Trade agreements are the most common form of regional cooperation—there has been a fair amount of progress in the ASEAN region and attempts are well underway to expand trade cooperation in the East and South Asian regions also. However, there are other areas of economic cooperation that have significant potential. These include financial cooperation, cross-border infrastructure, joint harnessing of natural resources, initiatives for environmental sustainability and energy needs, common natural disaster warning and management systems and joint research in frontier technologies. I trust that ADB will continue in its efforts to facilitate and foster the progress on economic cooperation in the region. I am particularly encouraged by ADB's initiative in setting up an “Office of Regional Economic Integration” that can play a complementary role to regional multilateral and bilateral efforts that are already under way.

India, for its part, has intensified its efforts in engaging more actively with ASEAN and other Asian countries on a comprehensive basis. We are engaged in negotiating an FTA with ASEAN, a comprehensive Economic Cooperation Agreement with Singapore and an FTA with Thailand and are exploring frameworks for active economic cooperation in all areas with the People’s Republic of China and Japan. Our commitment to furthering Asian integration is, therefore, clear and firm.

**Tsunami Disaster**

The response to the tsunami showed us the importance of mutual cooperation. Even before assistance could come from outside the region, countries within the region reached out to the affected countries in rescue and relief operations. Further, ADB played its role as the regional development bank in a manner that can only be called exemplary. As soon as the rescue and relief operations were completed, ADB staff were in the field participating in joint need assessments. ADB was not only first off the block in putting together and approving rehabilitation and reconstruction packages for the affected countries, but also set up an Asian Tsunami Fund with significant contributions from its own resources. In India, ADB cooperated in exemplary fashion with the World Bank and
the UNDP in putting together a unified Tsunami package with the Government of India. I must also place on record our appreciation for the aid that poured in from outside the region. Organizations, both government and nongovernment, and individuals responded to the disaster in a way which only emphasizes how we are fast becoming a vast global community.

**Millennium Development Goals**

We will soon be approaching the fifth anniversary of UN Millennium Declaration. It is heartening to note that that a consensus has already emerged on what is needed to achieve the Millennium Development Goals (MDGs) and the role of all the parties involved—developing countries, the developed countries and the multilateral institutions. Some progress has also been achieved in putting together a road map and furthering the global compact to achieve the MDGs.

The assessment of the past five years shows that the policy and institutional environment in developing countries is continuing to improve. As these countries have increased, and continue to increase, their capacity for effective absorption of aid, the absorptive capacity of the developing countries for effective use of ODA is no longer an issue. At the same time, these countries have shown their strong ownership of the goals by maximizing the mobilization of domestic resources.

There has been a marginal increase in the Official Development Assistance (ODA) of Development Action Committee (DAC) countries from a low 0.22% of GNI in 2000 to 0.25% in 2003, though this is much lower than the 0.34% in 1990, the reference year for MDGs. A large part of the increase in recent years has been for assistance to post-conflict and geo-politically significant countries, debt relief, and through technical cooperation. Such specific assistance does not address the MDG agenda in the most needy countries. Funding for MDGs must come over and above the ODA provided for specific purposes.

There have been encouraging signs by way of announcement of timetables by several DAC countries to increase their ODA level to 0.7%. The recent confirmation in the Development Committee in Washington to deliver on the pledge made at and after Monterrey, and the call by all Development Committee members to those donors that have not done so to make concrete efforts towards the target of 0.7% of GNI, is welcome. The increase of around 30% in IDA-14 fund envelope recently and 25%
in ADF IX last year are also encouraging signs from the development partner countries to fulfill their part of the global compact. I look forward to early implementation of the proposed pilot International Finance Facility for Immunization.

Multilateral institutions, including ADB, have been playing their part through better harmonization and intensification of efforts. The issues covered in the High Level Forum on Harmonization in Paris in February were comprehensive, though the challenge is in real time implementation.

Overall progress in achieving MDGs has been uneven and slower than envisaged. The scope and pace of the efforts have been inadequate. There is an absolute urgency to pick up the momentum and sustain it over the next decade to keep our date with our vision for 2015. We have no choice as the security of the world, peace among nations and the well being of all depend upon this. I would urge ADB to sharpen its advocacy for larger ODA and concessional financing for the Asia and Pacific region with largest number of the poor people, and to further enhance its efforts in helping developing member countries (DMCs) improve the lives of hundreds of millions of people through escape from poverty, disease, illiteracy, and gender inequality.

**MDGs in India**

Progress in the achievement of the MDGs by India would be critical to the global achievement. India is well on track to achieve the poverty and hunger-related MDGs at the country level. The achievement of the other MDGs, especially in the poorest or lagging states, districts, and communities in the country would require extraordinary efforts. Our challenge lies in accelerating and sustaining high growth that is equitable and in implementing policies and programs that promote sustainable inclusive development. Reforms pursued in India after 1991 have put the country on a high growth path. Today, second generation reforms are underway, building upon the earlier achievements. The Government believes that growth, stability, and equity are mutually reinforcing objectives, and policies and programs lean towards decisive intervention by the State in favor of the poor to shape our destiny. The Common Minimum Programme launched by the Government has been based upon this principle. The Government and the people of India are committed to our rendezvous with destiny in 2015.

The Government of India has launched various new countrywide programs in this direction and demonstrated its commitment by significant
enhancement of allocations for these programs in the recent budget. The Sarva Shiksha Abhiyan (Education for All), the National Rural Health Mission, the Expanded Midday Meal Scheme and the Integrated Child Development Mission are the main programs devoted to achievement of the MDGs.

**Infrastructure Development**

The critical importance of scaling up infrastructure in developing countries as a means of promoting economic growth and achieving MDGs is well established. A study recently completed by ADB, World Bank and JBIC, indicates a requirement of $200 billion per annum over the next five years for new investment and maintenance of infrastructure in East Asia alone. A separate assessment for India indicates investment requirements of $15 billion per annum.

Funding alone is not sufficient for infrastructure. The joint study has brought out a need for a new framework for infrastructure development with three essential elements: inclusive development, coordination, accountability and risk management. At the same time, the role of the private sector in infrastructure in this region needs a relook in order to revive its flagging interest in this area. The study suggests that the private sector bubble has burst, with investment levels falling from $40 billion in 1997 to $11.5 billion in 2003. In the medium term, there is no doubt that public investment has to play a large role in infrastructure development, notwithstanding the limited fiscal space available in most of the DMCs. ADB can assist the DMCs through analytical work to improve the investment and regulatory environment, increasing its lending volume and finding innovative ways to do business in spite of limited fiscal space.

I welcome the recent approval of funding for the Nam Theun 2 project by ADB and World Bank. This should form the first step for the reengagement by the MDBs in sustainable harnessing of water resources in DMCs. The public-private partnership model and the cross-border sharing aspect of this project have the potential for replication in other DMCs. ADB must aim at more streamlined project preparation and clarity in its engagement with the stakeholders so that subsequent projects do not consume disproportionate time and resources in preparation. Unless DMCs are assured that large projects with MDBs can be prepared with lower costs and in a shorter time, they will shy away from engaging with MDBs.
Role of ADB

The multilateral funding institutions, including ADB, need to demonstrate a renewed commitment to expanding their role as financial intermediaries for investment in infrastructure through the public sector, the private sector, and public-private partnerships.

There is a strong need to look at the past performance of ADB and set a strategy for the future. ADB’s lending has remained stagnant at around US$5 billion per annum during the last 14 years except in 1997 and 1998. The quality of lending and the quantity are both important for a meaningful role of ADB in the region—a region with a massive need for public investment, especially for infrastructure and poverty alleviation. For ADB to remain relevant to regional DMCs, it must assist them in mobilizing additional resources for public investment.

The financing of MDGs would require the use of innovative instruments and mechanisms. ADB should explore possibilities like blending, cofinancing, and guarantee with other MDBs and bilateral partners under common design, funding implementation, monitoring, and fiduciary arrangements. Such instruments would be relevant for all DMCs irrespective of their access or otherwise to concessional financing sources like the ADF. In middle-income DMCs, the major part of funding for the MDG agenda is expected to come from domestic resources. At the same time, external public funding made concessional through innovative instruments can play a strong catalytic role in social sector programs and the financing of global public goods.

The role of ADB could also be significant in another area: that of public-private partnerships. While the need for capital investment in infrastructure in developing countries cannot be over-emphasized, there appears to have been excessive optimism in the past about the success of the model. Experience has shown that the response of the private sector has not been commensurate with the requirements. We need to examine the arrangements in place to facilitate infrastructure. What has been done? What is required to be done? Perhaps this is an area that ADB would like to examine. Much larger private funding can be leveraged through appropriate actions to mitigate risk in public-private partnerships.

Cost to DMCs

ADB needs to take a critical look at financial and nonfinancial costs to its clients that largely influence their borrowing decisions. Competing
sources of infrastructure financing are available to the large OCR borrowers and their public infrastructure entities. These sources are not confined to the MDBs and bilateral agencies. ADB would need to compete with such alternative sources of financing, including the commercial sector, in order to increase its business. Competitive lending charges with the least possible burden of policy baggage and nonfinancial costs, facilitated by simplified procedures and innovative lending products would need to be put in place. Reduced costs of doing business with DMCs will play a critical role in their determining the relevance of ADB for them.

I have taken note of the recent part-waiver of loan charges for one more year. Such short-term waivers may provide incidental help to borrowing countries by reducing their current debt service requirements, but are of little consequence when a long-term view of the comparative cost of ADB loans is taken. Investment decisions for infrastructure, which has been focus of ADB’s lending, require projections of funding costs over the medium and long term.

When loan charges were increased in 2000, it was understood that the increase would only be temporary until ADB’s key financial indicators were restored. The increase was an outcome of a sudden increase in the loan portfolio of the Bank in response to the Asian financial crisis. The crisis is well behind us. The financial parameters of the Bank have since been restored and have been robust for three consecutive years—much earlier than the timeframe envisaged. The partial waiver of loan charges in 2003 and, thereafter, on a bigger scale in 2004, the recent decision to continue them for one more year are an endorsement of the comfortable levels of the Bank’s Loan-Equity Ratio. In such a situation, the Bank should permanently reduce the loan charges to the pre-2000 level.

I am encouraged by ADB’s resolve, through its innovation and efficiency initiative, to find ways to respond to the development needs of DMCs through flexible and faster assistance, use of country systems for procurement and safeguards, value addition through appropriate expertise and simplified procedures to reduce nonfinancial costs. I look forward to the early implementation of this.

I thank the people and the Government of Turkey for their warm hospitality as hosts of this year’s meeting in this beautiful city of Istanbul. I also congratulate President Kuroda on his assuming the leadership of ADB earlier in the year, and extend to him and to ADB my Government’s full support in the efforts to help us to attain our common goal of an Asia free from poverty.
On behalf of the Indonesian delegation, I would first like to thank President Haruhiko Kuroda and the Asian Development Bank for hosting this event. For us to be here in this beautiful historic city of Istanbul, I would also like to register our appreciation to the people and the Government of the Republic of Turkey for their generous hospitality and the meticulous preparations for this Meeting.

Let me begin by appreciating former President Tadao Chino who retired in January. He had served the Bank well with his passion, dedication and commitment of fighting poverty and promoting economic development in Asia and Pacific region.

We extend our congratulations and welcome President Haruhiko Kuroda who took over as President of ADB on 1 February, in the midst of the global community’s attention to the devastating impact of the tsunami. President Kuroda was able to mobilize the Bank’s resources quickly to cope with this unprecedented natural disaster.

Under the Asian Tsunami Fund (ATF) established for financing rehabilitation and reconstruction, he speeded up approvals of grant assistance and loan support and mobilized cofinancing and technical assistance for immediate emergency relief and other operational initiatives.

The Bank also organized a timely High Level Coordinating Meeting on Rehabilitation and Reconstruction Assistance and seminars to coordinate recovery efforts, financial accountability and governance on the use of resources pledged for tsunami relief.

We believe this is the first time since the establishment of ADB 38 years ago that the Bank had to mobilize its entire staff and operational resources to deal with this crisis. The member countries and their representatives on the Executive Board have also shown tremendous support for the various tsunami related operational initiatives. On behalf of my Government, I like to thank members of the ADB Executive Board of Directors, Bank Management and staff for these efforts.

I would now like to turn our attention to the Bank. The Bank must continue to carry out its primary role as a regional development institution. Global economic recovery remains tentative and continuing
high oil prices are contributing to emerging inflationary pressures in major economies that may affect growth in many economies. The Bank must reinvigorate and enhance its role as a development institution for supporting member countries’ with sustainable growth and poverty reduction in these challenging times.

Accelerating infrastructure investments is the key to support ongoing economic recovery in developing Asia. Over the next two to three years, most of the countries in the region are expecting to face major infrastructure deficiencies. ADB is urged to examine its operational modalities and promote innovation and efficiency in all aspects of its lending practices including in infrastructure financing.

The successful conclusion of ADF IX has paved the way for the Bank to improve its institution and operational processes. In implementing reforms through the Managing for Development Results Agenda, we look to the Bank to pay greater attention to develop a more client-friendly set of operational measures and in the context of the recently concluded High Level Forum on Harmonization and Alignment on Aid effectiveness.

We place great emphasis on regional cooperation and integration and will continue to participate actively in interregion and intraregion forums. We believe ADB can play a meaningful role in forging closer regional cooperation and regional integration such as the Regional Cooperation Strategy and Programs. The recent establishment of the Office of Regional and Economic Integration as a focal point of economic surveillance initiatives is very much welcomed.

Turning to the Indonesian economy, we have continued our economic recovery momentum. In 2004, our economy grew at 5.1%, the highest since the economic crisis. We remain vigilant to preserve our fiscal sustainability and will continue to pursue a prudent and disciplined fiscal policy. We continue to coordinate closely with our independent central bank, Bank Indonesia on macroeconomic policies including inflation targeting.

We are confident of achieving our projected growth of 5.5% in 2005. We will maintain our macroeconomic policies that will be resilient to any potential disruptive market and external shocks. The generous pledges of assistance at the Tsunami Summit and the Consultative Group Meeting on Indonesia (CGI) would provide some relief on our fiscal position and we acknowledge and appreciate our creditor member countries of Paris Club who have offered debt moratorium on their repayments.
Our biggest challenge is to improve our business and investment climate. We are working on improving governance in our public and private sector and streamlining business processes. And, we are finalizing the tax reform program to improve our overall competitiveness.

We have received serious interests from potential investors following our Infrastructure Summit held early this year and are reviewing our institutional arrangements, rules and implementing regulations to realize these investments quickly.

In addition to private capital, we will be looking to official sources of financing including ADB to finance our development including infrastructure in the coming years. We welcome the Bank’s new Innovation and Efficiency initiatives. We also welcome ADB proposal on rupýah swaps for providing long-term local currency financing.

At the present time, the cost of financing from the Bank’s ordinary resources seems to be weighted against member countries given past lending terms and funding arrangements. We urge the Bank to improve on its lending terms to ensure that member countries including Indonesia will enjoy more competitive loan terms. We would like to see a review of the ADF allocation policy with greater emphasis for poverty related projects.

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

ITALY

IGNAZIO VISCO, Temporary Alternate Governor and Head of Delegation

On behalf of Italy, I am honored to address this assembly, convened for the Thirty-Eighth Annual Meeting of the Board of Governors of ADB. I also wish to join my colleagues in thanking the Government and the people of Turkey for their warm hospitality in this most beautiful city of Istanbul.

To begin I must express my personal congratulations and those of my country to Mr. Kuroda on his election as the new President of ADB. Mr. Kuroda is highly qualified to occupy such a post and to lead the Bank
successfully through the difficult challenges and ambitious reform agenda initiated by former President Tadao Chino.

Before I make a few introductory comments regarding the economic outlook in Asia, let me first express my deep sorrow for the devastating loss of human life inflicted on several countries in the region by the catastrophic tsunami of December 26.

**The Economic Situation in Developing Asia**

Last year, developing Asia achieved its best growth performance since the financial crisis of 1997-98. Aggregate GDP growth was over 7%, a striking achievement for a region of more than 3 billion people, with the large majority of countries continuing to expand at remarkable rates. Prospects for 2005-2006 are also favorable, with robust growth, low inflationary pressures, and healthy current account balances.

When ADB was established in 1966, Asia was poor and underdeveloped. Over the decades most of its countries have adopted reforms to foster economic growth, and it is now becoming an extremely dynamic region, with a very significant role to play in the world economy.

Since the financial crisis that overtook South-East Asia in the late 1990s, macroeconomic management has improved considerably, reducing domestic and external vulnerabilities. Appropriate structural and institutional reforms have also been courageously implemented. Robust income growth has boosted consumer confidence and spending, and investor sentiment has strengthened. Domestic demand is now becoming a substantial driver of growth in the region.

Intraregional trade also continues to expand at a brisk pace as the rest of Asia integrates further with the People’s Republic of China (PRC) and increasingly with India. To give an example, bilateral trade between the PRC and the ASEAN countries has grown last year by 36%, to over US$100 billion.

Despite recent restrictive measures, GDP growth in the PRC was again very strong in 2004, mainly on account of the boom in investment. Although fears that there will be a hard landing in 2005 have declined, further policy action may be required to counteract overheating in some sectors. The country continues to be a favored destination for foreign investment.

India has also achieved an impressive economic performance. Addressing imbalances at the macro level and implementing effective
institutional reforms will be crucial if the country is to maintain a steady pace of growth and reduce inequalities.

However, this favorable scenario could be endangered, in the short term, by Asia’s high dependence on oil imports, which might worsen the trade-off between output and inflation. Greater exchange rate flexibility could help monetary policy to keep inflation low.

To sustain growth in the longer term, a sound macroeconomic environment and the continued implementation of structural reforms should remain a priority. Moreover, economic integration is the key to the future economic development of the area. In fact, intraregional trade has already grown to such an extent that developing Asia’s largest trading partner is now developing Asia itself. The recent trend towards free trade agreements should therefore be encouraged.

The continuation of high growth in developing Asia and more flexible exchange rates with the major currencies will also help to reduce global imbalances, although any solution will necessarily require major efforts not in Asia alone but worldwide.

Development and Aid Effectiveness

Despite developing Asia’s impressive achievement in terms of economic growth, 800 million people still live below the poverty line in this part of the world.

Eliminating poverty is not just a matter of mobilizing financial resources, it means making effective use of those resources in a region that is remarkable for its diversity, and in which the rapid and unchecked growth of large urban areas has brought about dramatic social changes and created vast pockets of poverty.

A dynamic approach is needed for ADB and other partners in development to help developing member countries ensure the efficient use of financial resources for investment, thereby creating the conditions for growth and equitable development.

It is widely recognized that the primary responsibility lies with the governments of recipient countries, which are expected to transform into action their commitment to improve governance and make aid effective. For its part, the Bank should stand ready to help its borrowing members in these efforts and, in the spirit of the Rome and Paris Declarations on Harmonization and Aid Effectiveness, it should step up its efforts to align support at country level and with national strategies.
While harmonization will improve the effective use of scarce resources, we know that ADB’s financial flows will always be small compared with the needs of its borrowing members. It is of great importance therefore for ADB to promote private investment, which can play a major role in driving growth and reducing poverty.

To foster private sector development, the Bank needs to address weaknesses in recipient countries’ institutional capacity, guarantee sufficient transparency in the utilization of all resources, fight corruption and money laundering, and encourage more private sector participation also to infrastructural projects.

Italy is aware of the progress already made by ADB on several fronts. We praise the efforts to tap the benefits of increased foreign investment, as well as of innovative measures such as the launching of the Trade Facilitation Mechanism and the local currency bond issuance. We also attach special importance to the creation of an independent risk management team that will evaluate the global risk of each intervention by ADB, in both the public sector and the private sector.

To be successful, ADB needs to emphasize the importance of adequately training its management to meet the needs of a dynamic and evolving private sector. More generally, we encourage the Bank to adopt as soon as possible its new Human Resource policy. Motivated and result-oriented human resources are the strength and the pillar of all institutions. Weaknesses in this area could indeed jeopardize ADB’s ability to carry out its mission effectively. The selection process for senior management and professional staff should be transparent, open, and based on applicants’ capabilities and managerial skills: know-how, professionalism, motivation, flexibility, and leadership skills are essential characteristics.

Merit-based salary increases will motivate people to become more efficient and productive, while helping to keep the focus on cost saving with regard to administrative expenses. Adequate control of the budget, the more so after the decline in the net income due to “unexpected” loan prepayments, will have a positive effect on the efficiency of all Bank’s operations.

Before ending I would like to say a few more worlds on the tsunami disaster. The Bank staff showed a great ability to respond quickly to the emergency. The mobilization of the entire international community was unprecedented and we were very pleased to give our support to the establishment of the Asian Tsunami Fund. Italy was indeed among the first countries to react, helping to address primary needs in all the
tsunami-affected countries. Even before the creation of the special fund, Italy supported ADB in increasing the resources for the ADF VIII.

We realize that Multilateral Developments Banks and their development partners have often to work in emergency situations. The Bank should therefore identify suitable mechanisms for responding effectively in such cases, in its specific role as a financial institution, while sharing tasks with the humanitarian organizations.

On a final note, I would like to stress how important it is for ADB and its bilateral and multilateral development partners to collaborate more closely and coordinate their efforts to better effect. This, we believe, is one of the biggest challenges facing Mr. Kuroda as the new head of the Bank.

JAPAN

SADAKAZU TANIGAKI, Governor

It is a great honor for me to address the Thirty-Eighth Annual Meeting of the Asian Development Bank (ADB). On behalf of the Government of Japan, I would like to express my gratitude to our hosts, the Government of the Republic of Turkey and the people of Istanbul, for their warm hospitality. As the regions of the world become increasingly interdependent, I believe it significant that this meeting is being held in Istanbul—a bridge between Asia and Europe.

At the outset, I would like to express my deep appreciation to Mr. Tadao Chino, former President, for his great contribution to ADB. I would also like to express my sincere welcome to Mr. Haruhiko Kuroda as the new President of ADB.

Support for Tsunami-Affected Countries

The year 2005 started with emergency aid and support for reconstruction and rehabilitation efforts in countries affected by the tsunami in the Indian Ocean last December. It is commendable that ADB has shown a proactive response by conducting prompt needs assessments and establishing the Asian Tsunami Fund with its own initial contribution of US$600 million. For its part, in addition to emergency assistance in
the form of a grant of US$500 million, Japan has also promptly provided US$20 million through the Japan Fund for Poverty Reduction in ADB.

Many countries and international organizations have also committed financial assistance to the affected countries. It is essential to use their assistance in a more effective and efficient manner as we move to the medium-term reconstruction and rehabilitation phase. In this context, it is particularly noteworthy that the ADB also played a key role in collaboration and coordination among donors by hosting a High-level Coordination Meeting on Assistance to Tsunami-Affected Countries in March.

**Economic Situation and Challenges in the Region**

In 2004, the Asian economy demonstrated a good performance with most of the developing economies in the region achieving an annual growth rate of over 5%. This was underpinned by robust external demand and strong domestic demand, particularly by business investment. The economic growth in 2004 is the highest since the Asian currency crisis of 1997-1998. I would like to draw your attention here to the fact that the largest trading partner for Asian developing countries is no longer the USA but the Asian developing countries themselves.

While I strongly believe that the Asia-Pacific region will serve as the key engine for the future growth of the world economy, we have to recognize that the regional economy is facing risk factors such as higher oil prices, future economic trends in the People’s Republic of China (PRC), and the impact of the expiration of the Agreement on Textiles and Clothing. In addition, the risk of communicable disease like avian flu still remains.

I believe now is an appropriate time to prepare preventions for such risk factors as we are enjoying continuous strong economic growth. Looking ahead, I would like to point out five challenges for the Asian region.

The first challenge is to alleviate poverty. 2005 is a critical year to review progress towards the Millennium Development Goals (MDGs) at the UN General Assembly in September. Even in the Asian region, where relatively good progress in MDGs has been made, non-income-related MDGs, such as reducing the child mortality rate and ensuring universal primary education, are unlikely to be achieved at the current pace of progress. While large countries such as India and the PRC lead in reducing poverty, it has stagnated in low-income countries including post-conflict
countries like Afghanistan and transition economies in Central Asia. In low-income countries, it is important to achieve sustainable growth led by the private sector and to strengthen public expenditure management in order to efficiently provide social services. The international community should focus its support on these countries and poverty spots.

The second challenge is to improve the infrastructure of individual countries to a level commensurate with their evolving economies. Even among countries with outstanding economic growth, lack of key infrastructure, such as power supply facilities and highway networks, is a bottleneck for sustainable growth. To overcome this challenge it is essential to build and expand infrastructure by promoting, in particular, private capital inflows.

The third challenge is to address the issues of migration to urban areas and demographic changes. While striving to achieve balanced growth between urban and rural areas and preserving the environment, it is important to increase employment opportunities and improve infrastructure to cope with the massive migration to urban areas. While population pressure remains strong in some countries, social security has become a serious issue among aging countries in the region.

The fourth challenge is to adapt economic structures and institutions to globalization. I welcome the fact that there has been progress in this area in recent years. I hope that policies and institutional reforms in trade and capital transactions will be carried out steadily in the proper sequencing. The current currency systems in Asia vary from country to country. I believe it desirable that study towards more flexibility in exchange rates be made for developing member countries that lack such flexibility in order to ease adjustments to economic shocks.

The fifth challenge is to promote regional cooperation. Regional cooperation brings significant merits to individual countries by exploiting economies of scale and scope, and stabilizing its economy. In this context, it is essential to invest in cross border networks for transport and telecommunication and to promote regional cooperation in finance, trade, and investment.

**Challenges for Japan in Asia**

As a member country of the region, Japan shall act together and advance together with countries of the Asia-Pacific. Our primary focus in this respect will be on five areas.
Further strides in structural reform

The first task is for Japan to make further strides in reform at home. Restructuring of corporate and financial institutions is something we have pioneered. Over the last several years, Japan has advanced structural reform to overcome its prolonged deflation and to revitalize its economy. These policy initiatives are gradually paying off. Driven by increased domestic private demand, the Japanese economy has been on the track of recovery.

Japan views this recovery as a good opportunity to make further progress in government expenditure and tax system reforms as well as in the reform of the social security system, to ensure sustained growth in the future.

I hope our accelerated structural reforms and the resulting recovery will contribute to economic growth in Asia. I also hope it will offer useful lessons for other countries about how to cope with such challenges as reducing nonperforming loans and revitalizing the manufacturing sector.

Prevention of financial crises

The second task is to prevent the recurrence of financial crises in Asia. Having learned the lessons from the Asian currency crisis of 1997-1998, Japan has been, together with the East Asian countries, vigorously promoting the Chiang Mai Initiative (CMI) since 2000. By now, the network of bilateral swap arrangements (BSA) has expanded to a total of 16 arrangements among Japan, the PRC, Republic of Korea, and five ASEAN countries, worth US$39.5 billion.

At the ASEAN+3 Finance Ministers’ Meeting yesterday, we reached an agreement to make this CMI framework even more effective and disciplined. Among others, the following three decisions have critical importance.

First, we agreed to integrate and enhance regional economic surveillance into the CMI framework. This is expected to enable us to detect irregularities at an early stage and take swift remedial policy actions, thereby more effectively preventing financial crises.

Second, we agreed to clearly define the swap activation process and multilateralize the decision-making mechanism. This should allow for collective activation of the 16 different BSAs, thereby enabling more prompt activation in the event of emergency.
Third, we agreed on a significant increase in the size of swaps. Specifically, this will be achieved by (i) increasing the amount of existing bilateral arrangements; (ii) agreeing on additional BSAs, for example, among ASEAN countries; and (iii) transforming one-way BSAs into two-way BSAs. Japan is willing to, in principle, double the size of our existing BSAs, with the consent of counterparties.

Allow me to add that, in implementing these decisions, complementarity with existing international financial arrangements and disciplined conditions to prevent moral hazards should be firmly maintained.

**Intermediation of long-term funds**

The third task is to enhance intermediation of long-term funds in the region. It is essential to eliminate mismatches of currency and maturity in regional financing and to channel domestic savings in Asian countries for investment in the region. For this purpose, Japan has been promoting the Asian Bond Markets Initiative (ABMI), under the ASEAN+3 Finance Ministers’ process, for developing efficient and liquid bond markets in East Asian countries.

Concrete outcomes have already been achieved in this Initiative. Examples are the issuance of local currency-denominated bonds by ADB and IFC in Malaysia and the issuance of baht-denominated bonds with a credit guarantee by the Japan Bank for International Cooperation (JBIC). Also, under cooperation between Japanese and Korean governments, collateralized bond obligation, the so-called Pan-Asian Bond, was formulated with a guarantee by the JBIC.

**Facilitation of foreign direct investment**

The fourth task is to help attract foreign direct investment. Foreign direct investment provides stable capital inflows and contributes to knowledge and technology transfer. For this purpose, it is important to optimize the benefits of tax treaties. In this context, Japan is proactively working to revise its income tax treaties for facilitating foreign direct investment among regional member countries.
The fifth task is to strengthen economic partnerships in Asian countries. I believe that pursuing Economic Partnership Agreements (EPAs) is essential to the achievement of this goal. EPAs cover various areas including the establishment of FTAs. Japan and Singapore have been deepening their partnership through the EPA concluded in January 2002. Japan and the Philippines have reached agreements in principle on major elements of their EPA. Negotiations on EPAs with Republic of Korea, Malaysia, and Thailand are making progress. Last month, Japan and ASEAN launched negotiations on a regional EPA. Furthermore, with a view to commencing EPA negotiations with Indonesia, a joint study group has been established. The Joint Study Group is now compiling a report to be submitted to the leaders of the two nations. In addition, the Japan-India Joint Study Group is to be launched by June 2005 focusing on the measures required for a comprehensive expansion of economic relations including the feasibility of a Japan-India EPA.

**Challenges for the Asian Development Bank**

Next, I would like to talk about our expectations for ADB. I welcome the proactive leadership of Mr. Haruhiko Kuroda who has demonstrated in promoting candid and broad-based dialogue, while clearly presenting his vision regarding the future of Asia and the role to be played by ADB.

ADB must remain attentive to the voices of the region, and formulate tailor-made strategies for each country, taking into account the diversity within the region. I hope that each staff member will get out of the box and act with a broader and more comprehensive perspective in mind.

Specifically, ADB needs to focus on five points.

**Steady implementation of reform agenda**

The first task is to steadily implement the reform agenda. Now that ADF IX becomes effective, it is essential to carry out this important task outlined in the agreement. Some of the key policies on the reform agenda, such as reviews of the poverty reduction strategy and the performance-based allocation policy have already been discussed and
agreed. ADB must ensure that its operations clearly reflect these key policies.

Strengthening the operations in Ordinary Capital Resource

Secondly, ADB is expected to establish a new strategy for use of ordinary capital resources. Coupled with ADB’s strategies for low-income countries, this should allow ADB to respond to the massive potential needs of countries in the region. With this, ADB can play a part in addressing the enormous infrastructure needs. Developing the private sector and business environment and strengthening the financial system are also important areas. In this exercise, it is also essential to streamline operational procedures while maintaining adequate accountability.

Promotion of regional cooperation

Thirdly, ADB is expected to promote regional cooperation. To date, ADB has implemented cross border projects, focusing primarily on infrastructure building, as was the case with the Greater Mekong Subregion. More recently, such cross border programs have been extended to Central Asia and South Asia.

In addition to lending operations, it is important for ADB to support improvement in regional financial markets and monitoring of the economic situation in the region as a unique mandate for regional development banks. In this context, the Office of Regional Economic Integration is expected to contribute to boosting such support. The contribution from ADB in this area should be commended and further increased.

Organization, personnel, and procedural streamlining

Fourthly, proper management of organization and personnel is critical for ADB to meet regional needs precisely and efficiently. To achieve this task, it is essential to steadily follow up reorganization and implement the new human resource strategy under the principle of result-based management.

While maintaining efforts to improve the operational efficiency, ADB should secure sufficient human resources to properly respond to the demands of member countries.
Public communications policy

Finally, it is essential for ADB to reflect broad-based opinions in its operations and to seek increased understanding of and support for its activities. In this respect, I welcome the establishment of a new Public Communications Policy. I hope to see strong leadership of the President in implementing this new policy to increase visibility of ADB in the donor community as well as in borrowing countries.

Conclusion

I would like to express my gratitude to the Board of Governors for their resolution deciding that the 2007 Annual Meeting will be held in Kyoto. I am honored that the annual meeting will be held in Japan on this important occasion of the fortieth anniversary.

Like Istanbul, Kyoto is known for its depth of history and tradition. At the same time, Kyoto is a cradle of venture entrepreneurship and also a center of medicine and science. Moreover, as the Kyoto Protocol indicates, it is a city committed to achieving harmony between urban life and the natural environment. We will do our best to prepare the meeting so that this ancient capital of Japan can provide the ideal environment for discussing the future of Asia and ADB.

KAZAKHSTAN*

AIDAR ARIFKHANOV, Governor

I am very honored and privileged to address the 38th Annual meeting of the Asian Development Bank being held in the beautiful and fascinating city of Istanbul.

Let me on behalf of the Government of Kazakhstan and myself express our sincerest appreciation and thanks to the people and the Government of Turkey for excellent arrangements and extended hospitality to all of us.

We also would like to join other delegations in congratulating Mr. Haruhiko Kuroda on his appointment as the President of the Asian

* Statement delivered in Russian. Translation supplied by the delegation.
Development Bank and we believe that under the President’s wise and visionary leadership, cooperation of the Bank with its numerous member countries will be taken to new heights and many of currently contemplated initiatives will be brought to successful fruition and will help developing countries in particular to reduce poverty and bring about progress and economic prosperity to their people.

The Government of Kazakhstan wishes to wholeheartedly sympathize with all the countries that were affected and suffered from the tsunami onslaughts and earthquake in terms of loss of human lives and physical property. We also are fully supportive and commend the Asian Development Bank’s efforts in providing much needed assistance through recently established Asian Tsunami Fund and we hope that the concerned countries would be able to fully and effectively avail extended resources in the course of rehabilitation and reconstruction initiatives aimed to alleviate hardships brought about by the abovementioned calamitous events.

In 2004 the economy of Kazakhstan continued its strong performance with GDP growth at 9.4%.

On the demand side, the expansion was driven by strong domestic consumption supported by public sector wage raises and investment, including buoyant housing activity. On the production side, a rapid expansion of oil and gas output (up 11.1% and 47.7%, respectively) boosted the industry sector, which benefited from high world prices of oil and metals, while strong gains in transportation and communications output led the services sector. Moreover, the agriculture sector grew by 5.2%, well above its historical average.

Economic growth was accompanied by rising demand for labor and higher incomes. Accordingly, unemployment declined from an average of 8.7% in 2003 to 7.8% at end-June 2004. Employment gains were notable and the average real wage rose by 13.1% during the first half of 2004 from a year earlier, reflecting both the Government’s policy to carry through substantial increases in wages in the public sector to raise incomes and living standards.

Industry and services rose by 10.1% and 10.8%, respectively. In 2004, the fiscal position remained strong aided by high economic growth. The general budget, inclusive the budget transfers to the National Fund of Kazakhstan, recorded a surplus of 2.3% of GDP.

As of January 2005, total international reserves of the National Bank of Kazakhstan equaled to US$9.3 Billion, thus increased by 87.02%

Kazakhstan is the first among CIS countries to obtain the investment class rating from three top major international rating agencies. Kazakhstan sovereign rating given by Moody’s Investors Service, an international rating agency, is Baa3 with “positive” forecast, and this rating from other international rating agencies, such as Standard & Poor’s and Fitch Rating’s Ltd., is BBB—with “stable” forecast. In January 2005, OECD made a decision to improve Kazakhstan’s rating and move it from risk category 5 to 4.

Nevertheless, challenges are many and they have to be tackled expeditiously and effectively.

Taking above into account, we are fully aware of the necessity of ensuring that our economic development becomes sustainable and inclusive therefore creating a basis for long-term competitive economy requires a comprehensive and flexible governmental policy is aimed at qualitative renovation of all types of resources, i.e. human, produced and natural ones.

In this context a central role in this work is obviously being assigned to the Strategy of Industrial and Innovation Development of the Republic through 2015. The main objectives of Industrial and Innovation Development Strategy of the Republic of Kazakhstan are about:

1. ensure average annual growth of 8.4% in processing industry;
2. improve labor productivity at least by 3 times and reduce GDP power intensity by twice;
3. encourage science-intensive and high-tech, export-oriented production capacities;
4. diversify export potential of the country in favor of goods and services with high added value;
5. implement international quality standards;
6. attract best practice of innovation and industrial management; and
7. encourage private sector initiatives.

It is also worth mentioning that intensification of market reforms will be accomplished in the following domains:

- Social, pension, utility, and administrative reform;
- Monetary and credit, tax and fiscal, agroproduction and industrial innovation policy;
- Programs: development of Kazakhstan’s portion of the Caspian Sea; house building;
- Education and health care development; and social program.

In fact, the main goal determined by the Head of the State for the country in the long term prospective is to become one of 50 most competitive countries in the world.

A key goal of the current year will be to develop a new pattern of interrelations among the business, authorities, and the society. New partnership relations between entrepreneurs and the Government will be established in Kazakhstan, which will provide for the creation of productive business climate. Take measures to expand the scope of application of specialized tax treatment for small business entities, thus involving them to investing primarily into nonmineral sectors and of course further improvement and development of tax administration.

The Government has successfully designed and continued with the implementation of its 12-year Innovative Industrial Development Strategy for 2003-2015 to foster economic diversification. It undertook several important steps toward structural reforms. In particular, it passed several new laws to restructure railways and energy and to liberalize telecommunications. The policy effort to “de-bureaucratize” the economy included overhauling the permits and licensing system.

We firmly believe that a well-developed financial sector will significantly aid economic diversification and private sector development. Currently dominated by private commercial banks, the sector has been strengthening to efficiently channel the growing financial savings originating from extractive industries into funding for development of other parts of the real sector. Bank lending has grown rapidly and nonbank financial institutions (pension funds and insurance companies) are inevitably becoming active investors because the domestic securities market is an indispensable and significant source of financial intermediation. To address these issues, the Government has taken unprecedented steps toward financial sector deepening.

The Government has adopted a medium-term fiscal framework for 2005–2007 targeting reduction of the budget deficit to 0.5% by 2007, and identifying domestic resources of the public and private sectors as major means to deliver the Government’s priority development programs. Development of the Government’s capacity to develop sound investment programs and ensure sound management of public assets to match the availability of domestic funds is currently under way. Nonetheless,
knowledge and expertise transfer is needed to facilitate the process. ADB’s role in this area will definitely be crucial.

The Government of Kazakhstan continues to make efforts to achieve the Millennium Development Goals. In 2003, the Government increased pro-poor expenditure to 4.5% of GDP, helping reduce the proportion of the population living below the subsistence levels to the minimum.

The private sector remains a key engine for diversification of the economy and pro-poor growth. The Government established various state-owned bodies to promote the private sector through investment and public-private partnerships, especially for SMEs. They include investment vehicles (investment fund, innovation fund) and complementary facilities (export insurance corporation, technology transfer center, and marketing research center). The Government of Kazakhstan has fully identified the need for infrastructure facilities, institutional reforms, and investment operations that support private sector development.

The Government has also set SME development as a key vehicle for job creation. We believe ADB’s possible involvement will meet such development needs by providing credit lines to SMEs in urban and rural areas. ADB can also help domestic banks enlarge credit portfolios and strengthen their capabilities for credit appraisal and risk management. Having signed the Framework Agreement for the Private Sector operations Kazakhstan Government is eagerly looking forward to tight and productive cooperation with ADB in the nearest future.

Kazakhstan continues to be a strong and loyal proponent of regional cooperation, and is intensifying its efforts to promote regional cooperation through various groups. As you well know Kazakhstan is an active participant in ADB’s Central Asia Regional Economic Cooperation Program and has hosted the third ministerial conference in late 2004. We are fully aware that prosperity of the country greatly hinges on the successful implementation of regional initiatives. In this context we laud and welcome ADB’s undertakings in this area.

With this let me reiterate our deepest thanks to all organizers of the 38th Annual Meeting of ADB and the people of Istanbul in particular for generosity and warmth and wish all participants prosperity and success in our efforts to reduce poverty in Asia and the Pacific in times to come.
I would like to first congratulate President Kuroda on his appointment as the new president and we firmly believe that ADB will emerge as a stronger and more dynamic institution under his excellent leadership and forward-looking vision. We also would like to take this opportunity to appreciate former President Mr. Chino’s contribution to ADB and to the development of economies in this region.

I would also like to thank the people and the Government of Turkey for their warm hospitality and splendid arrangements for this year’s Annual Meeting.

Before I start my remarks as Governor for the Republic of Korea, let me express my sincere condolences to tsunami and earthquake devastated countries and their people.

Last year, Asian developing countries recorded a growth rate of 7.3%, the highest since the 1997 financial crisis. But still there are various risks looming ahead, including economic uncertainties, natural disasters and communicable diseases.

Against this backdrop, I would like to take this occasion to propose a blueprint for Asia and the Pacific to ensure its sustainable growth.

First of all, let us shape an “Asia and the Pacific with Sustainable Growth Potential.”

MDGs are the most important and pressing issue for all of us. Despite the recent high economic growth, Asia is still home to more than half of the world’s poor and one out of every four Asians live on less than a dollar a day. This sober reality calls us to redouble our efforts in pursuing ‘Pro-poor Sustainable Economic Growth.’

Having said this, ADB should focus more on microfinance for the low-income bracket as well as on technical assistance for SMEs in the region. At the same time, more efforts should be centered on inclusive social development and good governance.

Secondly, let us shape an “Asia and the Pacific with an Integrated Region and Market.”

Subregional cooperative initiatives pursued by ADB, like the Greater Mekong Subregion (GMS), South Asia Subregional Economic Cooperation (SASEC) and Central Asian Republic Economic Cooperation (CAREC) have greatly contributed to the development and poverty
reduction through focused infrastructure investments. I believe these kinds of initiatives should be expanded further to intensify regional cooperation efforts.

In addition, economic integration like FTAs should be anchored on mutual cooperation rather than competition. And we should pursue in a way to increase intraregional trade and investment and to realign the industrial paradigm. By doing so, it would ultimately be conducive to expanding the regional growth potential. Furthermore, currently brisk activities of regional financial cooperation should also be reinforced to expedite the process.

In this light, we look forward to the proactive role of ADB in research studies to promote integration and financial cooperation in the region.

Thirdly, let us shape an “Asia and the Pacific with Narrowed Digital Divide.”

Given that most of the Asia and Pacific region, except East Asia, has lower e-government indices than the global average, the international community should intensify its support to close the digital divide in the region. ADB should take advantage of its unique position to take the lead in building E-Asia, thereby creating a transparent and level playing field for all.

As the Governor for the Republic of Korea, I would like to touch upon how Republic of Korea will take part in this effort.

First of all, as was the case with ADF IX, Republic of Korea will continue to augment its role in future ADF replenishments.

In addition, Republic of Korea will pursue regional economic integration including FTAs and financial cooperation initiatives so that the beneficial outcomes are permeated throughout the region. While we welcome ADB’s decision to set up Office of Regional Economic Integration, we also suggest that ADB expand its perspective to Northeast Asia in pursuing regional economic cooperation.

Furthermore, Republic of Korea will, in consultation with ADB, initiate an “E-Asia Fund” and a “Knowledge Partnership Fund,” as we proposed at the last Annual Meeting by contributing $10 million to “E-Asia Fund” and $10 million to “Knowledge Partnership Fund.” I believe these two funds will ultimately contribute to achieving MDGs. Also these two funds will help enhance regional economic development and quality of life by transferring knowledge and providing technical assistance.

Lastly, I ask ADB to positively consider its support to nonmember country in the region, namely, North Korea. Through education and
training projects, I believe, we could and should give the necessary attention and encouragement to this country to be well-prepared before being admitted to ADB.

Before concluding my remarks, I wish ADB further prosper under the leadership of President Kuroda by firmly building on his three principles: relevance, responsiveness, and results.

KYRGYZ REPUBLIC

AKYLBEK JAPAROV, Governor

It is an honor and pleasure for me to act on this 38th ADB Annual Meeting of the Board of Governors. On behalf of the new Government of the Kyrgyz Republic, let me express gratitude to the Government of Turkey and its people for the warm hospitality and excellent organization of this meeting.

I would also like to join other Governors and congratulate Mr. Kuroda on his appointment as President of ADB and express our appreciations to the former ADB President Mr. Tadao Chino for his tireless work and contribution to ADB.

Let me also express our deep condolences and sympathy to the countries affected by recent tsunami and earthquakes, and acknowledge the Bank’s quick response and assistance to help these countries.

In the beginning of the third millennium, the developing countries of the Asian and Pacific region are undertaking their best efforts for improving their economies and reducing poverty. In this respect, we believe that the Asian Developing Bank plays a significant role in this process.

2004 was marked by significant events in history of the Bank. First of all, I would like to note and thank the donor countries of the Asian Development Fund (ADF) for the fruitful work on the conclusion of the agreement on the eighth replenishment of ADF resources and the proposed new principles of allocation and funding from ADF resources. In this regard, we believe in the strengthening of ADF’s role in the support of socioeconomic development and poverty reduction in the countries of the Asian and Pacific region.

It is necessary to note, that the Asian Development Bank has made a lot of effort to become a more results-based international financial
institution. With the adoption of the ADB policies on a new accountability mechanism, HR strategy and public communications policy, its initiatives on the strengthening of the Bank’s role in the issues of good governance and anticorruption, ADB is strengthening the foundation for its transparency and accountability both before its shareholders and other stakeholders. In this connection, I would like to thank ADB Management and also the Board of Directors for the fruitful work last year.

The events of 24 March this year brought about some changes to the political situation and socioeconomic development in the Kyrgyz Republic. However, the political stability and rule of law in the country have already been restored, the life of the Kyrgyz people is returning back to normality.

Taking this opportunity, on behalf of the new Government of the Kyrgyz Republic I would like to firmly assure that the new Government of the Kyrgyz Republic will continue to fulfill all commitments before the donor community earlier undertaken by the previous Government, including:

- All liabilities to donors, including, obligations to members of Paris Club in the context of the debt restructuring of 11 March 2005;
- Obligations on the performance of qualitative and quantitative parameters within the state economic programs (CDF, NSPR), including obligations within PGRF supported by IMF;
- Commitments on the structural reforms within the programs of the World Bank, Asian Development Bank, European Commission and others;
- Obligations on the Public Investment Programs and TA projects implementations supported by the donor community;
- Obligations on implementation of bilateral agreements on trade and economic cooperation; and
- Other commitments before our donor-partners and financial institutions.

Moreover, the Government of the Kyrgyz Republic would like to assure ADB, the shareholders of the Bank and other international institutions, that the Government of the Kyrgyz Republic highly appreciates the contributions of the donor community to the development of the Kyrgyz state and it is going to continue to cooperate with donors in the fields which have been determined before and will be discussed in the future.

Since joining the Bank, Kyrgyz Republic received an extensive support from ADF resources in such sectors as transport, power energy,
education, public administration, and social protection. I need to note, that within ADF IX a significant part of aid to our country is proposed on a grant basis, which we believe will make only positive effect on the fight against poverty in the Kyrgyz Republic.

It is important to note the role of Asian Development Bank in carrying out structural reforms in the Kyrgyz Republic and its leading role in implementing the initiative on harmonization of donors’ assistance in our country.

At the end of 2004 two ADB programs on structural reform have been completed: they are “Corporate Governance and Enterprises Reform—phase 2” and “Facilitation of Regional Trade and Customs Modernization.” Currently there is a preparation of the “Financial Sector Development” program with the purpose of implementing important reforms in the banking and financial sectors. ADB’s assistance promotes strengthening of economic and resource capacities of the country, acceleration of the economic integration processes in our region, and most importantly, assists in fighting poverty— the main challenge for us today.

I consider it very important to continue the implementation of the Central Asian Economic Cooperation Program (CAREC) led by ADB. ADB and the program participating countries undertake big efforts for making this program recognized, and to achieve mutually beneficial practical and institutional outcomes. However, I believe that the potential is not yet exhausted, and therefore I would express a hope, that the CAREC program’s role will be increased to further enhance economic and trade cooperation in the East and Central Asia.

In March this year a debt restructuring agreement was reached between Government of the Kyrgyz Republic and the Paris Club members based on Evian approach. Certainly, the Kyrgyz Republic external debt restructuring will bring a significant positive contribution to the development of our economy, and the achievement of the MDG targets by our country.

On behalf of the Government of the Kyrgyz Republic I take this opportunity to express a gratitude to the Bank, as well as to our donor-countries for the assistance and support extended to our republic on external debt restructuring matters.

In conclusion, I would like to join other Governors, to express gratitude to ADB Management and staff as well as the members of the Board of Directors for their tireless work during last year.
I wish them all the best in the implementation of their tasks in the future and would like to assure the support of the Kyrgyz Republic in succeeding years.

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**LAO PEOPLE’S DEMOCRATIC REPUBLIC**

**CHANSY PHOSIKHAM, Governor**

It is an honor and a great pleasure for me to represent the Government of the Lao People’s Democratic Republic at the 38th Annual Meetings of the Boards of Governors of the Asian Development Bank.

Let me join my fellow Governors in congratulating the Chairperson, the President of the Asian Development Bank, and the Government and people of the Republic of Turkey for the excellent arrangements made for this important meeting and for the very warm hospitality extended to our delegation.

I would also like to take this opportunity to express my congratulation to President Kuroda for being elected as a new president of the Asian Development Bank. With Mr. President’s strong background on International Finance and Development, I strongly believe that the Bank under Mr. President’s leadership will further enhance its roles in supporting the poverty reduction and regional integration in Asia.

I would like to take this opportunity to inform the meeting on the Lao PDR’s current economic situation. In 2004, our macroeconomic was very stable, the inflation has been reduced from 12.6% at the end of 2003 to 8.6 % at the end of 2004, the exchange rate was stable, and there is also an increase in private domestic and foreign investment. The economic growth for the first 6 months was at 6.1%, Growth in the agriculture sector was at 2.8% or about 45.5% of GDP, the industrial sector was at 11.5% or 27.9% of GDP, while growth in the service sectors was at 7.2% or about 26.7 %, of GDP. The high rate of growth and stable macro economic was partly due to the increase of export and the improved economic performance of the countries in the region.

The Government will continue to pursue the appropriate fiscal policies with the aim to increase the revenue collection and strengthening the expenditure controls in order to maintain the stability of the Lao economy. We also aim to limit the inflation rate to a single digit, stabilizing
the exchange rate in order to make the investment climate to be more favorable for ensuring the economic growth to achieve the target of around 6.5–7%. In realizing these goals, The Government will intensify its efforts in achieving all the targets as outlined in the budget of fiscal 04–05, which has been approved by the National Assembly, and we will also emphasize on the improving of the tax and customs laws, arbitration law, and anti-corruption law. In addition, the Government will engage in the improving of the tax and customs collection mechanism, particularly from the large tax payers as well as strengthening the public expenditure management.

We highly value the support from the international community including the bilateral and multilateral organization, the international financial institutions, particularly to the Asian Development Bank. These supports are very important for the socioeconomic development of our country. In 2004, the Asian Development Bank had extended the strong support to the development in the Lao PDR including the 2 credit projects for the amount of 29.9 million for the rural access roads and rural development projects. In addition, we also receive 11 Technical Assistance projects for the amount of 6 million US dollars. According to the Country Assistance Strategies between the Lao PDR and ADB for 2005–2007, the credit amount has been reduced from 50 million to 35 million a year, this was due the adoption of the performance base allocation mechanism by ADB. In this regard, I greatly concerned over its impact for the long-term social economic development of the Lao PDR, and I strongly urge ADB to review this mechanism.

This year, the Lao PDR has completed its preparation work for the Nam Theun 2 Hydro Power project, which was concluded by the signing of loans and grants agreement with the International Financial Institution on 26 of April. This success was contributed by the strong support of ADB. We strongly believe that the Nam Theun 2 Hydro Power Project will be good model for the environment protection, regional cooperation and the close cooperation between the public and private sector.

On behalf of the Government of the Lao PDR, I would like to express my sincere thanks to the Asian Development for the support and being an excellent partner for development. I would also like to extend my appreciation to other International Finance Institution, the bilateral donors and other aids agencies for the strong support giving to the Lao PDR.

In conclusion, I wish this meeting a great success.
JEAN-LOUIS SCHILTZ, Governor

It is a great pleasure for me to attend for the first time the Annual Meeting of the Asian Development Bank, given that Luxembourg became a member of the institution only in September 2003, and that my own appointment as Governor dates back to September 2004. Luxembourg is honored to be a member of this institution whose overarching goal to reduce poverty on the continent where most poor people live. I can inform you that my Government attaches the highest priority to reaching the Millennium Development Goals that we collectively set ourselves, both on a national basis and as current President of the Council of the European Union.

At the national level, we have continuously raised our ODA allocations over the last decade, from some 0.32% of GNI in 1995 to some 0.85% last year. Moreover, the Luxembourg government remains committed to reaching 1% of GNI in next few years. This increase in ODA appropriations has benefited both our bilateral and multilateral programs. In the latter case, membership in ADB and a substantial contribution to ADF need to be mentioned, together with a doubling of our IDA-14 contribution in comparison with the previous replenishment.

At the EU level, our efforts go into firming up the pledges taken at Monterey. While the European Union already today is the largest donor with over half of total ODA, the objective is to arrive at 0.56% of our collective GNI by 2010, on which the Luxembourg Presidency intends to forge a consensus at the upcoming Council of EU Development Ministers later this month. At the same time, at the level of the Council of EU Finance Ministers we are actively pursuing the exploration of innovative financing mechanisms with a view to arrive at some concrete proposals in time for the G-8 Gleneagles Summit in July and the MDG Summit in New York in September.

But let me now focus on some of the issues facing this particular institution. With the arrival of the new president, Mr. Haruhiko Kuroda (whom we warmly congratulate on his unanimous election), we believe the time is ripe for some fundamental reflections on the future of the Bank. In fact the region where it operates is changing fast, with some areas developing at a sustained pace, whereas others are still lagging behind. At the same time, one observes a flattening of the demand curve...
for bank products, which together with substantial loan pre-payments lead to the accumulation of unused finance capacity and a reduction of net income. The key challenge therefore is to develop new products that can meet the region’s changing needs.

In this regard, there are several options that present themselves to the Bank: first of all, lending at a subnational level without necessarily relying on a sovereign guarantee: such a product would not only enable the Bank to improve the provision of utilities of direct benefit to the local populations (i.e. water supply, sanitation, power generation); it would also contribute to creating a track record and enhancing the creditworthiness of local entities (e.g. municipalities or service companies) so that they will be able to tap regular commercial financing in the future. In parallel, the Bank should strive to further integrate private sector development into its main operational activities: this could be done for example by promoting public-private partnerships more vigorously (notably in the infrastructure sector), or by resolutely extending its support to the SME sector (by establishing credit lines or guarantees through local banks). It is true that a portfolio reoriented in this fashion will be inherently more risky than one built on sovereign public loans alone, but we believe that the incremental risk is well worth taking in view of the economic impact of these activities, and the substantial financial headroom that the Bank possesses at the moment.

Other promising avenues for ADB to increase its role in Asia are to actively promote regional integration and to further develop its local currency operations (including national bond issues and swaps): indeed, the challenge will be to tap the substantial savings pool in the region for the benefit of the least advanced areas. The inaugural issues launched last year in India, Singapore, and Malaysia were quite successful and should be replicated wherever possible.

Let me congratulate the Bank also on the swift response it provided to the tsunami disaster. By setting up the Asian Tsunami Fund as early as February 2005 and by providing within weeks concrete finance proposals for the Maldives, Sri Lanka and Indonesia, the Bank has shown its responsiveness and effectiveness in very difficult circumstances. For this reason, Luxembourg decided in March to provide US$1 million to ADB multidonor trust in addition to our other efforts, and we expect that some more donors will follow suit.

While all these initiatives will underpin the institution’s reputation and insure its continued relevance in the Asia region, the monitoring of activities in line with the Bank’s reform agenda started last year still needs
to be pursued vigorously: managing for development results, improving operational policies, reorganizing internal structures as well as optimizing human resources are still the order of the day. We welcome the progress achieved to date, and are looking forward to further measures in this regard in the near future.

In conclusion, let me wish President Kuroda all the best in his important task to implement the reform agenda started under his predecessor, former President Chino, and to find the right product balance for the Bank so that it can employ its substantial financing capacity to best use. After all Asia is in a better position to achieve at least part of the MDGs than other regions: this is an opportunity, but also a responsibility, and Management can be assured of our full support in this important mission.

MALAYSIA

TAN SRI NOR MOHAMED YAKCOP, Governor ad interim

It gives me great pleasure and honor to be here today to address this auspicious gathering. On behalf of my Government and the Malaysian delegation I would like to convey our deepest appreciation to the Government of Turkey and the people of Istanbul for the fine arrangements and cordial hospitality extended, which in no small measure has contributed to the success of this 38th Annual Meeting of Board of Governors of ADB.

Allow me to take this opportunity to formally congratulate the Hon. Haruhiko Kuroda, the newly appointed President of ADB, whose immense knowledge and experience would undoubtedly serve the Bank well.

Malaysia has always taken a keen interest and supported the developmental and capacity building activities of the Bank. It cannot be denied that ADB has been instrumental in strengthening regional cooperation and providing timely assistance to member countries to alleviate unforeseen economic adversities. The establishment of the US$600 million Asian Tsunami Fund (ATF) to provide immediate relief to countries affected by the tsunami is indeed commendable. The support of the member countries in consenting to the initiative of ADB to utilize the income generated from interest charges on loans for the establishment of the Fund is a reflection of the extent of regional cohesiveness.
Apart from this, we also note that Asia currently has a large pool of reserves amounting to more than US$1 trillion as a result of the high savings rate recorded in the region. However, it is ironic that while Asian countries have the necessary financial resources to be tapped upon to underwrite costs for the region’s development, Asian savings are often intermediated outside Asia. Principally invested in US and European markets, these savings have been known to subsequently flow back into the region in the form of portfolio investments. This raises the possibility of a recurrence of the dual mismatches of maturity and currency, resulting in a repeat of the 1997/98 Asian financial crisis.

In order to meet the long-term financing needs of the region, Malaysia wishes to propose that ADB enhance its lending facilities and tap into the liquidity of the region to better utilize Asian savings for Asian investments, especially for infrastructure development. ADB’s expertise in risk management and mitigation would be invaluable in tapping regional resources from the more developed members to assist in the development of the emerging economies. Having ADB standing solidly behind regional developmental efforts, particularly in terms of providing sovereign guarantees for members’ financing requirements, would lend credence to such efforts. This, in turn, would strengthen the confidence of potential financiers and investors in relation to the prospects of the region.

In this regard, Malaysia would like to thank ADB for its intervention in our capital market through the issuance of the inaugural RM400 million Ringgit-denominated loan in November 2004. This has greatly reinforced Malaysia’s efforts in reducing any financial system risks by broadening the institutional investor base and enhancing the development of the domestic bond market. It also denotes the confidence the Bank has in the Malaysian capital market as a reliable source of competitive funds.

In addition to this, we understand that the Bank is currently considering innovative financing mechanisms to facilitate and accelerate assistance to middle-income countries in the region. We commend the relentless efforts of the Bank in introducing new approaches to improve its delivery system. We hope these innovations will meet the needs of these member countries, particularly in closing the gap in income inequity in the region. The middle-income countries are at a crucial stage in their development path and require the resources to address the challenges ahead.

The increasingly diversified economic structure and strong macroeconomic fundamentals have enabled the Malaysian economy to reach its strongest growth pace in four years with a GDP growth of 7.1%
in 2004. This places Malaysia in the fourth position among the fastest growing economies in Asia after the People’s Republic of China (9.5%), Singapore (8.4%) and Hong Kong, China (7.5%). Going forward, the Malaysian economy is poised to enter 2005 from a position of strength. Real Gross Domestic Product is expected to continue to register strong but lower growth of between 5-6% taking into account the potential uncertainties related to the global developments, such as moderate world economic growth and trade, downturn in the global semiconductor industry as well as the impact of high oil prices and the interest rate hikes.

In terms of global developments, world output and world trade are also projected to expand at a steady pace of 4% and 5.8% respectively in 2005 after attaining the strongest growth of 4.8% and 8.8% respectively in 2004. The rapid economic development in the People’s Republic of China and India provides vast opportunities for Asian countries in particular. It is here that ADB could play its role in supporting investment activities of member countries in the said economies. The main constraint of private sector investment and trading activities is funding. Perhaps ADB could put in place a mechanism to assist the private sector in the region to avail themselves of the global economic opportunities.

Malaysia has and will continue to support ADB in all its endeavors and is looking forward to working closely with ADB and member countries in enhancing economic growth in the region. To conclude, allow me on behalf of the Malaysian delegation, to once again express our sincere appreciation to the Government of Turkey and especially the people in Istanbul for their tireless efforts in making the 38th Annual Meeting of Board of Governors a memorable one. I would also like to commend Mr. Haruhiko Kuroda, the President, its Directors, management and staff for the Bank’s excellent performance and achievements in 2004.

MALDIVES

RILUWAN SHAREEF, Alternate Governor and Head of Delegation

On behalf of the Governor Hon. Ismail Shafeeu I bring to you the best wishes of the people and Government of the Maldives. Our delegation would like to join our fellow Governors in thanking you Mr. Chairman, and the Turkish people for hosting ADB’s 38th Annual Meeting
here in this magnificent city of Istanbul. We are heartened by your warm hospitality, impressed by the thoughtful arrangements and feel grateful for this opportunity to be here in this historic and scenic environment of the Bosphorus. Mr. Kuroda, we congratulate you on your election to the important office of the Presidency of the Asian Development Bank.

In the Maldives we started the year 2004 with great expectations. Even with continuing concerns about the impact of the situation in Iraq on the global economy, and with increase of oil prices on the world market we were confidently forecasting growth rates above world averages. We achieved even better than forecast levels, registering 8.8% real growth. We had already made very ambitious forecasts for the fiscal year 2005.

Then came the tsunami of the 26th of December 2004. A disaster that took the Maldives and indeed the world by total surprise, has hit our economy so hard that it is extremely difficult to even predict when we would be able to regain our pre-tsunami levels of growth. Tourism arrivals plummeted to an historic low in January, and the industry is still struggling to maintain even modest levels of occupancy of resort beds.

The tsunami disaster affected practically the whole country and the whole economy; and we know that the Maldives will not be the same again. We need to think and strategize differently. Our planning and development models have to deal with concepts that factor in disaster preparedness and mitigation measures in a substantial way. The economy needs to be structured differently. Human security and safety must be addressed even more than before at every stage of development. The challenge is great and the degree of success not necessarily guaranteed.

The Maldives was in a state of shock during the immediate aftermath of the tsunami; but I must say that with the support of the international community and development partners such as ADB, we are coming out of the relief stage and concentrating our efforts on recovery and reconstruction. I wish to place on record the extremely quick and substantive response on the part of ADB in reaching out to help the people of the affected countries. The Maldives is happy to report that we have successfully concluded the Tsunami Emergency Assistance Project, declared effective and well underway to implementing the programs supported under this project.

Notwithstanding the challenges of this unprecedented tragedy, we are continuing to push ahead with the national development agenda. Constitutional reform is currently being debated by the Special Parliament convened specifically for that purpose. We will be embarking on developing our 7th National Development Plan in the very near future.
Financial sector reform will continue. The Maldives Securities Bill and the Public Finances Bill have already been presented to the Parliament by the Minister of Finance and Treasury. We will formally become a member of the Multilateral Investment Guarantee Agency of the World Bank Group within this month, paving the way for more foreign direct investment in the Maldives. Because we know that the faster the economy can recover the faster can we restore security and dignity of the internally displaced peoples, and give them their lives and livelihoods back.

We urge the international community to stay engaged with us along the path of recovery. The affected communities remain vulnerable and disadvantaged until they can return to permanent housing and return to their jobs. We appeal to bilateral and multilateral donors to speedily realize the offers of assistance; as each day delayed means one more day that poor and helpless families are forced to live in difficult and stressful circumstances. We also request that donors be sensitive to specific national needs, when delivering assistance and supporting recovery and reconstruction efforts.

The Maldives will ensure full transparency and accountability of all assistance, and invite all donors and development partners to participate in the processes of procurement and reconstruction along with the government, the civil society and the private sector.

I do apologize that I have spent most of my statement on the issue of the tsunami. For the Maldives, this is a national priority and we are determined to not let our attention falter until these people are back to their normal lives.

In conclusion, I wish to once again thank you Mr. Chairman and the people of Istanbul and Turkey for your generous support and hospitality. Mr. President, this delegation wishes to express our thanks to your leadership and vision as outlined in your address at the opening session of this meeting. We will take heed of your strategic direction for a more result oriented and focused ADB. I wish this 38th Annual Meeting of the Asian Development Bank all the success that it deserves.
MONGOLIA

NOROV ALTANKHUYAG, Governor

It is a great honor and privilege for me to address the 38th Annual Meeting of the Board of Governors of the Asian Development Bank. Please allow me to join my fellow Governors in expressing gratitude and appreciation to the Government of the Republic of Turkey and the citizens of Istanbul for their generous hospitality and the Asian Development Bank management and personnel for excellent arrangements for this meeting.

Taking this opportunity I would like to congratulate once again President Haruhiko Kuroda with his election as the President of ADB. I strongly believe that with your guidance and leadership, ADB will contentiously succeed in addressing development needs of the region, accelerating economic growth and reducing poverty.

Allow me to shortly brief on socioeconomic development situation of Mongolia. It has been over 15 years since Mongolia has launched its transition to democracy and market economy. During this time, efforts of the Government were directed toward accelerating reforms in all sectors of the economy, policies were targeted to restructuring and to ensuring private sector development. As a result of these measures, in recent years, we have had a steady economic growth, and in 2004, the economic growth reached 10.6%. This growth mainly underpinned by higher livestock production, investment in the mining and mineral sectors, growth in industrial and service sectors.

In recent years, the inflation level was low, with an average of 5.6%, while in 2004 it reached 11.0%. One of the factors which have had played a role was the price increase in oil.

Implementation of the programs aimed to stabilize the macroeconomic situation supported by the international financial institutions, made to decrease the budget deficit significantly in recent years. Also, improved cash management, set up legal environment for government procurement and public sector financing and management concept were of benefit in reducing the budget deficit as well. Comparing to 7 to 8% of budget deficit of five years ago, in terms of GDP, it has decreased to 2.2% in the year 2004.

Despite these favorable economic turns, Mongolia remains vulnerable to external factors due to the narrow base of the economy
and poverty still remains persistent with 36% of population living below national poverty line.

A new Grand Coalition Government, which has been established as a result of the parliamentary elections last June, has set out a Government Action plan where the policy directions for the coming 4 years has been determined. New Government is committed to ensuring macroeconomic stabilization and has determined private sector development as a leading engine of growth to achieve sustainable economic growth, promote access to knowledge-based market, diminish disparities between urban and rural development. To reduce the vulnerability of economy and to support the economic growth, more attention is placed in reducing poverty in years 2006-2008. As reflected in the government program, the aim is to implement the policy, which will make the production of industrial and exporting goods to increase and in turn having an impact on unemployment and poverty. The target is to keep economic growth rate above 6% and the rate of inflation below 5%.

Mongolia became a member of ADB in 1991. Since then our cooperation expanded to almost all sectors of economy of Mongolia. Assistance provided by ADB totaled to more than US$500 million of concessional loans and US$50 million worth of grants and technical assistance. And recently, the Government and ADB have reached a common understanding on the strategy and programs for the coming years of 2006 to 2008.

Finally, on behalf of the Government of Mongolia, I express my sincere acknowledgement to ADB for its contribution to the economic development and poverty reduction of the region, as well as for continuous support and assistance to Mongolia’s efforts toward the market economy.

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**MYANMAR**

**HLA TUN, Governor**

It gives me great honor and pleasure to have the opportunity to address this auspicious occasion of the 38th Asian Development Bank Annual Meeting in this very beautiful city of Istanbul.

First of all, on behalf of the delegation of the Union of Myanmar and on my own behalf, I would like to welcome the new President of
the Bank. With his vast experience and able leadership, we look forward for ADB to promote further regional cooperate in the new era of development.

I wish to join fellow Governors to take this opportunity to express my sincere appreciation to the management and Bank staff for the excellent preparation and arrangements being made for this important meeting. At the same time I would also like to express my sincere thanks to the people and the Government of Turkey for the warm welcome and hospitality extended to us since our arrival.

I also would like to congratulate Mr. Chairman for being elected as the Chair for this meeting. We believe that under his guidance this meeting would be very fruitful and successful.

It is the first and foremost task of every government to achieve economic growth and social progress for promoting the living standards of the people. In this regard the Government of Myanmar has been implementing short-term National Economic Development Plans with the aim to accelerate growth and to achieve equitable, balanced and sustainable development.

In recent years, Myanmar has achieved remarkable economic growths and significant progress in social sectors, resulting from the untiring efforts being made mostly on self reliance basis.

Developing countries have been trying their utmost for the attainment of the Millennium Development Goals (MDGs) endorsed at the occasion of the Millennium Summit in 2000. For Myanmar, even without assistance from international agencies, it has attained noticeable achievements in carrying out its National Economic Development Plans within the framework of the MDGs.

National Development Programmes have been laid down and are being implemented:
- to fulfill the basic needs of the nationalities residing in the remote and border areas;
- to ensure easy accessibility among the regions and raising the socioeconomic life of the nationals;
- to attain balanced and equitable development over the whole country;
- for the advancement of the rural populace, comprising 70% of the total population.

Accordingly, highways, all weather roads, feeder roads, bridges dispensaries, hospitals, schools and universities have been built and progress can be seen. Transport network has been build and as a result,
more than 35,000 miles of roads have been built within (15) years period. Moreover, clusters of dams, reservoirs and irrigation canals are being built. Nearly (200) bridges have been constructed, among which the Thanlwin bridge which span over the Thanlwin River, is the largest and longest. It is also the major connection part of the East-West Economic Corridor Project comprising Cambodia, Lao PDR, Myanmar, Viet Nam and Yunan Province of the PRC under the GMS Cooperation Program.

At present, the local people are enjoying the outcomes of the three Development Programmes and the targeted economic progress as well as enhanced socioeconomic lives of the people have been brought into reality.

The developing countries need Official Development Assistance (ODA) from the International Community in order for them not only to achieve economic development and to integrate smoothly into the global economy but also to fulfill the Millennium Development Goals (MDGs). In fact, it is the responsibility of the International Community to set up fair and equal conditions for the developing countries to enjoy ODA which would help support sustainable development of their economies.

Even though Myanmar has being refrained from receiving Official Development Assistance from the International, and multilateral organizations, I would like to stress that Myanmar has been actively participating and cooperating in Regional Cooperation Programmes, such as the BIMST-EC, ASEAN, GMS, etc.

In addition, Myanmar is participating more actively in the international arena and is striving not only to safeguard its national interest, but also to keep track of the rapid changes in the process of globalization.

Myanmar is continuing to intensify its efforts at fighting money laundering and combating financing of terrorism. In 2002, the Control of Money Laundering Law was enacted and Rules relating to it were promulgated in 2003. In April 2004, Myanmar signed the UN Convention against Transnational Organized Crime, intended to increase worldwide cooperation in the fight against money laundering and other illegal activities committed by international criminal groups. The Mutual Assistance in Criminal Matters law was enacted in April 2004 and the Rules relating to that law was promulgated in October of the same year.

It is the desire of the people of Myanmar to see the country eventually emerging as a modern nation. As for the national setting, the seven point Road Map will pave the way for the establishment of a peaceful, modern, developed and discipline-flourishing democratic nation as desired by the entire people. I am happy to state that the National
Convention, which is the most vital and the very first phase of the Road Map, is in progress.

Finally, I would like to express our profound thanks once again to the people and the Government of Turkey for their warm hospitality and the excellent arrangements provided to us. Let me conclude by thanking Mr. President and the Bank staff for their continued dedication to the economic development in the region and we look forward to having more closer cooperation like before with the Bank in the near future.

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NEPAL

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MADHUKAR SHUMSHERE J.B. RANA, Governor

It is a privilege and honor for me to address this 38th Annual Meeting of the Board of Governors of Asian Development Bank, being held in this magnificent, historical city of Istanbul. May I take this opportunity to thank the Government and people of Turkey for the very warm welcome and gracious hospitality extended to the Nepalese delegation and myself.

The Bank’s initiative in promoting both regional and sub-regional cooperation is highly appreciated by Nepal. We are particularly pleased that Turkey is beginning to look eastwards towards Asia more intensively and we are, therefore, hopeful that it will also examine the vast scope for mutual benefit arising within South Asia as a whole.

His Majesty’s Government of Nepal would like to take this opportunity to strengthen our economic relations with Turkey especially in the areas of trade, investment, labor, civil aviation and tourism. With Turkey’s active participation in regional and sub-regional cooperation, Nepal envisions sound prospects of integrating economies of Central and South Asia through a re-discovery of historic Silk Route and, going beyond it, to suit the new era of globalization and the dire need for a dialogue between civilizations.

Events in Nepal since the Royal Promulgation by His Majesty the King Gyanendra Bir Bikram Shah Dev, on February 1, 2005, have made headlines across the world. They still continue to do so. I believe that this is justifiable because the reasons for the Royal Promulgation touch the very heart and soul of what should concern the international community as a whole.
Fundamental concerns for the 21st century are and should be: on how to combat terrorism in all its forms; how to prevent vulnerable states from becoming failed states that will eventually endanger regional peace and security? how to prevent insurgencies in a timely manner from being transformed into civil wars that could lead to loss of any nation's independence and sovereignty? how to arrest the factors and forces of the other, parallel globalization that is so sadly amidst us—a globalization that is being witnessed in such malaise as rampant smuggling and syndication and cartelization of the economy; trafficking in women and children for prostitution; trafficking in drugs, arms and ammunition; and, not least, money laundering?

A raging, unsettled debate continues in the United Nations, and outside amidst international civil society, about what solutions are appropriate to fight terrorism and protect democracy, individual freedoms and the rule of international law.

We suggest to the international community, especially the Asian states, that it recognizes that terrorism knows no geographical boundaries. Today it is in Nepal, but it continues to afflict the countries of Europe and Asia. Tomorrow it can be anywhere and spread like wild fire, if it is not arrested in the nick of time.

The sole purpose of the bold and timely Royal action is to restore peace, provide security to all citizens, defend the Constitution, protect the rule of law by arresting graft, corruption and youth alienation (an overwhelming reason for the current conflict), and to include all the citizens into the body politic through political, economic, social and cultural measures and thus strike at the strategic threats to the country from the politics of destabilization: politics based on the concept of ethno-nationalism that is being actively pursued by the insurgents to divide and destabilize the nation.

His Majesty’s Government's road map is clear. It seeks to do, within a period of three years, the following: to bring about peace; hold free and fair elections to municipalities, district assemblies and national parliament; strengthen the civil institutions so that they can be effective watchdog for healthy development of political process, maintain the supremacy of the rule of law, and have an economy that is market-driven and internationally competitive.

As a testimony to its adherence to the road map, the Government recently lifted the emergency in line with the provisions of the constitution. The security forces are now in control of the law and order situation and can eradicate the acts of extortion and looting resorted to by terrorists.
for raising funds. We need to countervail the frequent calls for strikes and lockouts that have disrupted the continuity of supplies of essential goods and the Government’s revenue collection.

The Royal Proclamation has been backed up by HMG’s 21 Point Policy. On the economic front, it seeks to, *inter alia*, inculcate financial and fiscal discipline through reforms, on the one hand, and through a national austerity program, on the other hand.

Broadly, as we are engaged in combating counter-insurgency and terrorism actions, we believe that development and security needs to be holistically perceived and integrated in a balanced manner. We believe that there can be no development without peace, law and order. Since the roots of democracy lie in a historical case that took place in 500 B.C., in a location not too far away from here, and grew out of a just quest for the rule of law, I take the occasion to remind us all that democracy is not anarchy and its proper practice lies in respecting the rights of others as much as the rights of oneself. Everyone is entitled to a voice and, in Asia, as a whole, the majority of its poorest have not been given that voice.

The plight of the internally displaced persons in Asia, for example, is a glaring wound that remains woefully neglected. So much so that we have now a looming national sub-crisis involving hundreds of thousand internally displaced persons (IDPs)—estimated to be in the range of 300,000 to 600,000. They are the first and foremost victims of terrorism and are in need to humanitarian assistance, relief, rehabilitation and resettlement.

We intend to accord this a high priority in our forthcoming budget. We solemnly appeal our development partners present here to assist us by providing humanitarian assistance in order to meet the food, income, and security needs of these unfortunate children, women and men.

We assure our development partners that the Government is fully and sincerely committed to implementing the aid agreements in their letter and spirit. In order to improve the quality of service delivery at the grassroots level we will introduce innovative approaches wherever necessary. We have already approved Basic Operating Guidelines (BOG) that emphasizes the increased involvement of community groups, local nongovernmental organizations and community-based organizations in the basic service delivery with adequate funding and technical support from the Government. In addition, we will devise other mechanisms and methods and of delivery and development based on the concept of public-private partnership at all levels—national, district and village communities.
The one powerful lesson that Nepal provides to the world is this: that development can take place even in conflict provided communities are mobilized.

We will, therefore, seek to encourage more direct community-led development efforts so that the communities themselves can be engaged in development according to their capacity and felt needs. This way MDGs will be reached at a faster rate and encouragement will be provided for community ownership not just of the development initiatives but also assets created. For this we must, and will mobilize, the vast social capital already existing in the form of traditional voluntary organizations (TVO).

We will move ahead in the implementation of the Paris Declaration on Aid Effectiveness. We call upon the donors to allow full ownership of development strategy making and execution, foremost in the context of terrorism and counter insurgency operations. The declaration's provision, which seeks to arrest vulnerable States becoming failed States, should be perceived in this context. Its rationale is to strengthen and not weaken the State any further.

Allow me also to add a few words about the current economic situation of our country. The economy is generally passing through difficult times. In spite of this, we have been able to target development programs in such a manner that the percent of people living below absolute poverty has come down to 31% from the level of 38% within a period of four years. The other contributing factor for this reduction is the remittance income that the country receives every year. Remittance has also been the major contributor to favorable balance of payment, while the trade deficit is growing every year. The Government has been able to maintain macroeconomic stability through proper blending of fiscal and monetary policies. This is reflected by manageable level of inflation and comfortable foreign exchange reserves. The GDP growth projection for the current year is 3.6%, which is about one percentage point less than the initial projection for the year.

Last, but not least, we will innovate towards making the economy market driven by providing full political space for the private sector to play the lead role in economic growth and employment creation in the framework of the WTO commitments. We will take measures to secure the fullest operation of the existing industries and businesses as a matter of priority. Rehabilitation of industries affected by the insurgency and terrorism will be given topmost priority to stabilize the economy and create a favorable foundation for future speedy growth in line with our immediate
neighbours—the People’s Republic of China and India—as we can serve as the bridge economy between South Asia and the People’s Republic of China. This kind of regional cooperation is also the vision that ADB is now trying to promote between member countries.

Historically, in Nepal, Monarchs have listened to the wishes of the people whenever there have been national crises. Such calls have come throughout Nepal’s history. The King of Nepal has solemnly sworn before the sovereign people of Nepal that “he wishes to reign, not rule”; to defend the constitution and to put in place the derailed parliamentary process.

The people have widely welcomed the recent Royal move and many feel it was rather late in coming. The security situation has significantly improved in the urban areas. With the new initiatives to create Zonal Administrators the void in the integration of development with security will be addressed more effectively than in the past. As it was hardly possible for the centre to respond to the exigencies of the situation arising in 14 zones, 75 districts and over 3,900 village development committees.

I assure you, Mr. Chairman, that in three years we will find Nepal a peaceful, multiparty, constitutional democracy where both electoral democracy and participative development prevail. What is more meaningful to the common men and women are the first rights to survival, food, shelter, and self-actuation. These can only be realized in the absence of terror.

THE NETHERLANDS

GERRIT ZALM, Governor

It is both a pleasure and an honor to address the Board of Governors of ADB. I thank the Government of Turkey for hosting the Annual Meeting in this beautiful city.

There is hardly a location more fitting than Istanbul for a European to address ADB. Throughout the centuries the name of the city has changed several times, but its function has remained the same: a gateway between Europe and Asia. To illustrate the significance of this gateway: the tulip, one of the most recognizable symbols of the Netherlands, was brought to us by Turkish merchants.
This year, in which we welcome the new leadership of President Kuroda and look forward to the second Medium Term Strategy, provides an excellent opportunity for reflection. What are the main challenges that the region is facing? And is ADB ready to effectively assist its developing member countries in dealing with these challenges?

I will focus on three topics: reforms at the Bank, the need for selectivity and private sector development. But before going into these issues, I would like to express my deepest condolences to the people whose lives were devastated by the tsunami disaster and commend ADB for its swift response and continued engagement in the countries affected. I urge the Bank to continue working in close cooperation with other development partners.

These days, the Asia and Pacific Region is the most dynamic area in the world. With its current economic growth rates, it by far outperforms the world economy and doubles its economic weight every ten years. It is important to note that intraregional trade has become one of the main engines of growth. In order to maximize the benefits and to mitigate the risks of further economic integration, it will need to be accompanied by various forms of regional cooperation. As the region’s family friend, I believe that ADB is well positioned to act as a knowledgeable advisor and powerful catalyst for healthy integration and fruitful cooperation.

Despite its impressive economic growth performance, we cannot ignore the fact that still more than half of the world’s poor are living in Asia and for many countries meeting all MDGs will be a challenge. This requires an effective and focused ADB that delivers tangible development results. The Bank has the financial means to expand, but needs to reform its methods. For instance, there remains ample scope to reduce transaction costs, shorten delivery times, introduce innovative and more relevant lending modalities, raise the level of sector expertise and increase its effectiveness in terms of poverty reduction. I encourage ADB, as well as its shareholders, to take actively part in the UN summit in September to agree on additional efforts to achieve the MDGs by 2015.

The Netherlands strongly welcomes the fact that the Bank has actively taken up this challenge by engaging in a broad range of reforms, notably through the Reform Agenda, the Innovation and Efficiency Initiative and the Middle Income Country Partnership Framework. Effective implementation is needed. Proper sequencing, coherence and a strong analytical underpinning of individual reforms are necessary for optimal results. This will also strengthen staff ownership of these reforms. Putting in practice the Human Resource Strategy, with an emphasis on
transparency and accountability, and the strengthening of the knowledge base are prerequisites as well.

For the medium term, I believe that more is needed. Mr. President, I believe that your strong leadership is necessary to strengthen the strategic focus of the Bank at the institutional level through the second Medium-Term Strategy. This operational selectivity at the Bank level would complement the necessary selectivity at the country level as defined in the Country Strategy and Program. An increased focus on its comparative strengths, together with close partnerships with other development partners, will ensure that the Bank can bring more added value to its clients. To support this focus, a reorientation of the organization will be necessary.

Progress in all these areas will further ADB’s development impact, while at the same time increase the demand for its products. This will reconfirm the Bank’s relevance in the region. In my view, such changes could prepare the ground for ADB to expand its assistance significantly to result in a positive net resource flow to its clients.

A prominent feature of such an expansion should be private sector development. This relates to both direct support to the private sector with a focus on development impact and assisting countries in improving the investment climate. There are two specific points I would like to make.

First, close cooperation between the different actors involved, both within and outside ADB, is crucial to find synergy and ensure development effectiveness. Second, given the rapid increase of the private sector portfolio in recent years, it is important that ADB follows best practices in its risk management. I would therefore encourage the Bank to undertake an independent assessment regarding the risk management of the Private Sector Operations Department in general and the optimal location of the Credit Risk Unit in particular.

In conclusion, we are looking for a more effective and clearly focused Bank that delivers concrete development results. This will automatically make it a more relevant partner in the region. Difficult? Yes. Impossible? No, it is a challenge. But I am fully confident that under the competent leadership of President Kuroda, the Bank will be able to live up to this challenge. It is my sincere hope that this will result in ADB flourishing as beautifully as the tulip still does.
NEW ZEALAND

JOHN WHITEHEAD, Alternate Governor
and Head of Delegation

Introduction

Let me begin by extending New Zealand’s appreciation to our hosts, the Government of Turkey, to the new ADB President, and to other ADB staff for the excellent arrangements for this meeting. I would like to take this opportunity to wish President Kuroda all the best in his new role and we are sure that he will continue and build on the good work of his predecessor.

Last year ended on a tragic note. The Government and people of New Zealand were deeply saddened by the events of 26 December 2004. Let me again convey our condolences and prayers to all the countries that suffered the loss of lives and livelihoods.

The rebuilding phase will be long and difficult. New Zealand’s official response to the relief and reconstruction efforts was our largest ever. New Zealand was among a number of countries actively offering assistance since the earliest days of the tragedy, and we remain committed to doing what we can to support the efforts of our friends in the region over the long term. Like others, we were pleased to see the rapid response of ADB itself. The effort in response to the tsunami provides a lesson for us all on how the international community can work together well and mobilize significant amounts of resources and expertise when necessary.

This year holds special significance as the international community takes stock of progress towards the Millennium Development Goals (MDGs), ten years out from our target date of 2015. The New Zealand Government strongly supports the Asian Development Bank’s work in support of the MDGs. The Bank’s overriding goal of reducing poverty in Asia and the Pacific, through pro-poor sustainable economic growth, social development and good governance, remains as important as ever.

The Asian Development Fund (ADF) has an important role to play in this regard. New Zealand is pleased to be a participant and contributor to the ADF—this valuably supplements our routine representation and interaction with the Bank. The ADF IX replenishment negotiations, which concluded in record time last year, set a number of benchmarks for replenishments in other International Financial
Institutions. We congratulate ADB for its responsiveness and management of the process. The challenge, as always, is implementation and we look forward to working with ADB in support of this.

**Pacific**

The 2005 Asian Development Outlook is forecasting remarkably robust economic growth in the region over the next few years. South and East Asia are projected to grow at between 6 and 7% annually while Central Asia is expected to grow at around 9%. In contrast, economic growth among Pacific Developing Members is expected to be only 2% which hardly keeps pace with population growth. There are many challenges facing the small island states and some of those are serious and immediate. How ADB and other donors help the Pacific nations face these challenges and tap into the dynamism of the wider region is very important. New Zealand takes a special interest in development in the Pacific and as acknowledged in the Millennium Project report earlier this year, the Pacific is at serious risk of falling short against many of the MDGs. The Bank is an important player in the region and a valuable source of expert knowledge and technical assistance which help build capabilities.

We urge the Bank to remain vigilant about ensuring that its engagements with small state partners in the Pacific are appropriately tailored to their unique needs and acute capacity constraints. As highlighted at the recent High Level Dialogue on Aid Effectiveness in Paris, aid is most effective when processes are genuinely country-led and owned.

New Zealand is encouraged by the Bank’s willingness to support existing regional processes as evidenced by its analytical work on the “Pacific Plan” for increased regional integration. New Zealand has a significant interest in efforts being coordinated by the Pacific Island Forum Secretariat both to explore opportunities for increased regionalism and to encourage specific initiatives where benefits can be generated by pooling scarce resources. We welcome ADB’s work in this area. We support its dialogue with Forsec in Suva and with other donors so that useful ADB analytical work on prospects for regional cooperation complements and adds value to Pacific Plan initiatives being developed by Forum Leaders. We strongly encourage ADB to take fully into account other regional processes and coordination efforts, including, for example, in education, health and HIV/AIDS, and disaster planning/preparedness.
The opening of the new ADB office in Suva and the finalization of the new Pacific Strategy were highlights over the past year. We strongly urge the Bank to allocate sufficient resources to its Pacific operations. We would like to see ADB focus its Pacific efforts primarily on maintaining an effective presence within the region in Suva.

New Zealand considers that unsustainable levels of debt make it more difficult for developing countries to reduce poverty and suffering among their people. New Zealand has supported international efforts to make poor country debt levels sustainable. Debt levels in the Pacific are a growing concern. New Zealand supports the new World Bank/IMF Debt Sustainability Framework, and is keen to ensure that ADB’s approach to debt sustainability is aligned with the new framework, and that debt sustainability concerns, particularly in the Pacific, are monitored closely. We would like to see the grant allocation element of ADF IX fully utilized in the Pacific. This is because even concessional loans can be a burden if they are not clearly linked to an outcome that increases economic activity in the long term, and thus enable repayment of the investment.

**Governance**

We congratulate ADB on the progress it has made in recent years on improving internal governance. Former President Chino oversaw important internal reforms and we welcome the intentions as expressed strongly by President Kuroda in his speech yesterday to continue and extend these.

We welcome the Bank's strong financial position, which has been reported to Governors at this Annual Meeting. However, we remain concerned about the continuing trend of declining ordinary capital resources (OCR) income and the subsequent reduction in net income largely as a result of prepayments. The Bank needs to be creative in addressing this position.

One governance issue which New Zealand takes very seriously is the “bunching” of loan approvals at the end of each financial year. We note, for example, that out of the US$5.3 billion in new lending in 2004, US$1.1 billion was approved in one meeting alone. We consider that this raises potentially serious issues regarding the quality of decision-making and accountability. While this type of issue is one that many organizations and governments, including my own, grapple with, we feel strongly that steps need to be taken by ADB to address this problem.
We acknowledge the new ADB human resources strategy introduced last year. We encourage ADB to continue the process of modernizing its human resources policies and practices to better promote the concepts of equity, including gender, merit-based promotion and appointment, and transparency. ADB should set high standards for itself, and demonstrate these principles in the implementation of its programs.

**Conclusion**

In conclusion, and on behalf of my New Zealand authorities, New Zealand values highly its partnership and engagement with the Asian Development Bank. We look forward to continuing to work together. I wish to extend to President Kuroda, the management and staff of the Asian Development Bank, our appreciation for their efforts and our best wishes for the year ahead.

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**NORWAY**

NILS HAUGSTVEIT, Alternate Governor and Head of Delegation

First of all, I would like to thank the Government of Turkey, and especially the beautiful and historic city of Istanbul, for their warm hospitality and the excellent organization of this meeting.

Asia has experienced the worst earthquake and tsunami disaster in recent history. We would like to take this opportunity to reiterate our sincere and deeply felt sympathy for the many victims and for all those who have lost friends and family.

Norway commends ADB’s early response, active involvement and leadership in reconstruction efforts in the tsunami-affected countries. Close coordination with other multilateral and bilateral partners in the implementation of the Asian Tsunami Trust Fund is strongly needed. ADB should, as far as possible, use the countries’ own systems and help build local capacity to enable the affected countries to take the lead in the reconstruction work. The tsunami has amply demonstrated the need for efficient co-ordinating mechanisms. We believe the time has come for the multilateral development banks to review their rules and regulations
with the aim of removing obstacles for establishing and participating fully in common multilateral trust funds.

Concerning the Millennium Development Goals, the region is on track in halving the number of people living on less than a dollar a day, but it lags behind in terms of reaching the non-income targets. ADB will have to scale up its activities to support particularly the poorest countries in achieving the non-income targets. A system to monitor the impact of the Bank’s operations on poverty reduction must be set up as soon as possible in replacement of the poverty target, which was removed last year. Next year we will meet to assess the midterm progress of ADF IX, and concrete results will have to be demonstrated if donors’ support for the Fund is to be sustained.

We strongly support your firm commitment to eliminating corruption. We recognise that the Bank’s approach to combating fraud and corruption has been effective. Nevertheless, Norway urges ADB and the other multilateral development banks to harmonise their practices, to make a concerted effort to tackle corruption and to intensify capacity building in the developing member countries. A far more systematic and strategic approach is needed to ensure that governance and anti-corruption issues are mainstreamed in all the Bank’s operations. We are confident that the review of the implementation of ADB’s governance and anti-corruption policies will address these issues directly.

Over the last year, we have seen significant progress in advancing reforms in a number of areas in ADB, particularly in the implementation of the Action Plan for Managing for Development Results. Nevertheless, several major challenges remain. The implementation of the Human Resource Strategy and the Gender Action Plan II will have to be considerably speeded up. Activity-based progress reports will not suffice; more comprehensive reporting is needed that also demonstrates changes in the Bank’s mindset and incentive structure and transparency in human resource management. An annual staff satisfaction survey would be useful in this regard. ADB will also have to streamline its policies and business processes and improve technical assistance to capacity-building programs to ensure the successful implementation of the reorganization and reform agenda.

Reducing poverty should also be the prime objective of ADB’s engagement with the middle-income countries and other countries with limited or no access to the ADF. Increasing responsiveness, relevance and efficiency in ADB’s partnerships with these countries should not
compromise with the reform agenda, safeguards and development effectiveness. The Innovation and Efficiency Initiative will involve fundamental changes to the Bank’s instruments and business processes. ADB must ensure coherence and compatibility between this initiative, other parts of the reform agenda and the implementation of ADF IX.

Norway welcomes ADB’s more prominent role in donor coordination and harmonization efforts. Clearer country focus, greater harmonization and alignment presuppose resident missions equipped with skilled staff and the authority to participate, and when relevant, take the lead in harmonising efforts. Many of ADB’s resident missions are not prepared for this. They must be strengthened considerably. And they must be strengthened quickly.

The Paris Declaration has reinforced our commitment to country ownership, managing for development results, harmonization and alignment. In order to fulfil its role in this new setting, ADB will have to take a more strategic and selective approach to its country programs and strategies. It will have to change its practice and start using the borrowing member countries’ own systems in these operations. The Technical Assistance Programme is a key asset for the Bank in this regard. However, a much more strategic and selective use of the Programme will be required, focusing more strongly on building capacity in partner countries and achieving the corporate objectives of the Bank. Therefore, we urge ADB to undertake the long-planned review of the Technical Assistance Program as soon as possible.

ADB has an important role to play in private sector development in the region. In our view, ADB’s comparative advantage in this sector lies primarily in providing support for improving the investment climate and addressing reforms that will foster an enabling environment for private sector investment. More work could also be invested in assessing how the private sector could contribute more to solve problems in conventional public domains such as health and education. Furthermore, ADB’s private sector development work should be fully aligned with its poverty reduction strategy and development effectiveness agenda. Considering the rapid increase in private sector operations over the last years, an assessment of the adequacy of the present risk management system is called for.

Istanbul is an interface between different continents and cultures. So is ADB. It is important to further develop ADB’s multilateral character. It is equally important to strengthen the role of the Board, both in terms of more active involvement in country programming and in terms of the implementation of internal reforms and Bank policies.
President Kuroda, we welcome you as the new President of ADB. We assure you that Norway is committed to working closely and constructively with you and the Bank to address the challenges in pursuing—and ultimately achieving—the Millennium Development Goals in Asia and the Pacific.

Statement by

RATU JONE Y KUBUABOLA

Governor for Fiji Islands

on behalf of

COOK ISLANDS, FIJI ISLANDS, KIRIBATI, MARSHALL ISLANDS, FEDERATED STATES OF MICRONESIA, REPUBLIC OF NAURU, PALAU, PAPUA NEW GUINEA, SAMOA, SOLOMON ISLANDS, TIMOR-LESTE, TONGA, TUVALU, AND VANUATU

It is indeed a great pleasure and honor for me to present the joint statement of the Pacific Developing Member Countries (PDMCs) at this 38th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB).

May I, on behalf of my fellow Governors from the Pacific, express our deep gratitude and thanks to our host, the Government of Turkey particularly the authority and the people of Istanbul for their warm hospitality extended to my fellow Governors and members of their respective delegations during out stay in this beautiful and historic city.

I would also like to express our sincere gratitude to the management and staff of ADF for the excellent arrangements made for this meting.

May I also, at this time, on behalf of my fellow Governors, congratulate Mr. Haruhiko Kuroda on his appointment as the new President of the Bank. At the same time, we wish to put on record our deep appreciation to the former President, Mr. Tadao Chino, for his excellent contribution to the Bank during his term in office. We appreciated President Chino’s strong commitment and cultural sensitivity to our region. He took a high chief’s title in Samoa, opened the subregional office in Suva, and one of his last acts in office was to sign the valuable TA agreement assisting the formulation of the Pacific Plan. With your
knowledge and experience, Mr. President, we are confident that you will guide the Bank to greater heights during your term.

We commend the president’s vision for the Asia and the Pacific region which he articulated in his inaugural statement to ADB Board, management and staff early this year. In that statement, the President recognized the diversity within the region and that different countries have different needs. This is particularly so for the Pacific region. Let me also say that this is in line with the Bank’s Charter that stipulated that special considerations be given to PDMCs due to their vulnerable position.

**Regional Economic Performance**

Overall growth within the Pacific region last year is estimated at about 2.4%. This is less than one-third of the average growth rate achieved in Asia. We are the first to recognize that we could have done much better as a region. The economic performance of individual countries varies widely. Several of our member countries have performed extremely well and have benefited from political stability and have also reaped the benefits of their programs of economic reforms. But unfortunately some of the PDMCs continue to face political, governance and economic challenges.

Let me say that, as a group, we fully recognize the challenges as well as the opportunities that we face as small island nations. I will be elaborating on these challenges later. But let me say at this point that we look to the Bank as our key development partner to help us overcome these hurdles and build a better future for our people.

**Vulnerabilities**

The PDMCs are some of the smallest members of ADB family. Unfortunately, we are the most vulnerable. Our vulnerabilities come in many forms.

1. **Globalization**

Firstly, the impact of globalization are now being felt more strongly throughout our region as economic and trade liberalization continues and other trade-related measures are introduced, such as the stricter application of intellectual property rights. In some sectors, being small
and vulnerable, we are feeling the costs ahead of any benefits. For example, consumers and hospitals in many Pacific countries must now pay much greater prices for pharmaceutical drugs and medicines.

(ii) Loss of Preferential Markets

Secondly, another major issue that preoccupies many countries in our region is how best to manage the adjustment problems arising from the loss of preferential market access. In Fiji Islands’ case, we face the double blow of losing our preferential arrangements for garments with the United States and for sugar with the European Union. Moreover, the value of trade preferences in Australia and New Zealand are gradually being eroded as they reduce their tariffs on imports. We know that globalization is the new order of our age. But we do ask that our development partners like ADB recognize the magnitude of the adjustment that we need to put in place.

(iii) Global Warming

Thirdly, we are extremely vulnerable to the consequences of global warming and the rise in sea levels. The Inter-Governmental Panel on Climate Change predicts that sea levels will rise up to 88 centimeters by the end of this century. The rise in sea levels will cause coastal flooding and adversely affect biodiversity, soil and water supplies. Pacific Islanders will be among the first people forced to ultimately relocate. The impact will be felt by many of our future generations.

(iv) Natural Disasters

Fourthly, cyclones, floods and droughts devastate our economies frequently. The impact of such natural disasters in the Pacific is magnified by our reliance on only one or two commodities. A single cyclone of drought can destroy the entire economy. The multiple cyclones that struck the Cook Islands in February this year destroyed a large proportion of the country’s means of livelihood including its total exports. To address this need, we call on the Bank to set up a special Task Force to consider strategic options for mitigating against such natural disasters. In particular, we ask that you consider establishing a Disaster Rehabilitation Fund that can be extended to PDMC members as grants to help in reconstruction.
after such disasters. Extending loans for disaster rehabilitation is not in the best interest for PDMCs as these would only increase their debt burden. At the same time, PDMCs ask ADB to seriously consider assistance to help member countries cope with the impact of exchange rate fluctuations on their debt servicing.

**Pacific Strategy**

We welcome the finalization of the ADB Pacific Strategy. This plan sets out the areas that the Bank and PDMCs will mutually address in their development agenda for the region.

The PDMCs fully endorse the plan and are willing to work closely with the Bank in its implementation. We trust that the implementation of the Pacific Strategy will fully recognize the diverse culture and traditional structures in different countries in the region.

In line with this Pacific Strategy, the reform of the public sector and of publicly owned commercial enterprises is an ongoing initiative in most of our countries in the region. Fiscal consolidation is also high on our agenda. We all recognize that our economies must become internationally competitive.

We also recognize that the Pacific Strategy puts a central role on private sector development. But I would like to say that this is not just a narrow technical economic issue. It is an issue that touches people’s lives and expectations. It requires changes in institutions and attitudes, and the acquisition of new skills to support private sector development. All these things take time. And because there will be winners and losers in this process, it quickly becomes an issue of political economy. We therefore urge ADB to take into account the diversity of members of the PDMCs in their potential to develop their private sectors. Nonetheless, PDMC governments are prepared to work with ADB to make institutional changes that are required to increase the participation of the private sector in their economic development.

**Pacific Plan**

As a group, we recognize that there are some issues that are best addressed at a regional level to maximize benefits and pool scarce resources. In recognition of the special challenges that we face in the Pacific, I am pleased to report that our leaders at their Thirty-Fifth Pacific Island
Forum agreed to the formulation of a *Pacific Plan* to strengthen regional cooperation and integration. The Plan’s *Vision* and priority goals are:

(a) increasing the levels of sustainable returns to the Pacific;
(b) ensuring the successful implementation of regional cooperation at national level;
(c) meeting common responsibilities and providing scarce resources more cost-effectively; and
(d) developing partnership with neighbours and beyond.

We believe that the Pacific Plan is an important way forward for PDMCs. We are pleased to note that the Bank’s future technical assistance to the region is consistent with the Pacific Plan and the Bank’s Pacific Strategy both of which are focused on fostering private sector development. We welcome the proposed regional technical assistance aimed at supporting the development of the private sector and improving the environment for secured lending.

**Coordination**

There is an obvious need for sound coordination in aid policies and practices in PDMCs. We feel that the Bank can plan an important role in harmonizing programs and assistance with the Pacific Plan. We are pleased that the Bank has already started thinking about these linkages and how it can contribute to the implementation of the Pacific Plan.

**Tsunami**

We acknowledge with appreciation the timely response of the Bank to our member countries that were affected by the tsunami on 26th of December 2004. We fully support the allocation of $600 million to the Asian Tsunami Fund to allow the affected member countries to rebuild damaged physical and social infrastructure and restore livelihood.

**Bank Activity**

We note that Bank lending to the Pacific member countries declined from $55 million in 2003 to $40 million in 2004 while there was some increase in technical assistance from $12 million in 2003 to $15
million in 2004. We acknowledge that our demand on ADB resources is small. However, we are ready to work with ADB to increase the resource transfers to PDMCs.

Most of the PDMCs have access to ADF. We therefore welcome the implementation of ADF IX and we thank the donors for their contribution to the Fund.

We would like to raise two issues on access to ADF. First, in light of our vulnerability, we recommend that ADB incorporate a vulnerability index in the formula for entitlement to ADF lending. Second, continuing emigration has resulted in a rise in per capita GDP in some PDMCs. This rise is of course artificial. We therefore urge ADB to take this into account in their graduation criteria out of ADF to OCR.

One of our PDMCs is only eligible for OCR. In this regard, I call on ADB to continue to consider ways of reducing fees and charges in OCR lending.

**Subregional Office**

We thank ADB for setting up two subregional offices in Suva and Sydney. We are already seeing the benefits of the Suva office in closer collaboration and quicker response time. We thank ADB for its commitment to fully resourced subregional offices by the end of this year.

**Conclusion**

To conclude, I have stressed our many vulnerabilities in PDMCs. I have done this because these vulnerabilities make our lives extremely difficult and complicate our economic management. We urge ADB to adequately reflect these vulnerabilities in its assistance to the region.

The President emphasized in his excellent address yesterday that ADB’s assistance must remain relevant to its PDMCs. He also emphasized greater focus, selectivity and responsiveness. We believe that with this vision our partnership with ADB will be significantly strengthened for the benefit of our people. We were also impressed by the President’s organizational reform within ADB and we wish him success in this area.

Finally, I wish to extend our invitation to the President to visit our islands early in his term and to see for himself the situation and the challenges that we face.

I wish the President and ADB the best in its next year of operation.
It is indeed a great honor and privilege for me to address the 38th Annual Meeting of the Asian Development Bank in this historic and cultural city of Istanbul. We believe that this is an important occasion which provides a useful platform to all the member countries to share their experiences in development fields.

Let me also take this opportunity to extend my heartiest congratulation to Mr. Kuroda for you for becoming the President of the Asian Development Bank. We sincerely hope that under his able stewardship the Bank would flourish and further accelerate its efforts towards making the Asia-Pacific Region a more prosperous region. Let me also join my colleagues in expressing my deep appreciation for the people and the Government of Turkey for their warm welcome and gracious hospitality. The staff of ADB also deserves our appreciation for the excellent arrangement for this very important meeting.

I take this opportunity to express our heartfelt sympathy for those member countries who were hit by the tsunami and earthquake and for the loss of lives and belongings. In this context the Asian Development Bank’s role in immediately setting up funds saved from existing projects to help tsunami victims is commendable. The setting up of a $600 million Asian Tsunami Fund and organizing coordination meetings on rehabilitation and reconstruction assistance to tsunami-affected countries also helped identify gaps in the relief and recovery efforts.

Pakistan’s economy has made major progress in recent years. After five years of hard work the complexion of Pakistan’s economy has changed altogether. The economy is no longer fragile. Indeed, it is more healthier today than ever before; economic policies are consistent, transparent, and predictable; private sector is buoyant—they have borrowed over $12 billion during the last 21 months from the banking system; imports of machinery, equipments and raw materials are up by 37%; industrial sector is growing in the range of 16–18% per annum and the economy is likely to grow over 7% this year. Accordingly, Pakistan
will emerge as one of the few fastest growing economies of Asia. Economic growth is not only accelerating but is also becoming more sectorally broad-based. Expatriate Pakistanis have gained confidence on the economy and bringing their capital back; the telecom sector is booming; external balance of payments has never been so comfortable; current account balance is in surplus and foreign exchange reserves are now sufficient to provide cover to 9 month of imports; our exchange rate is stable, budget deficit is reduced to below 3% of GDP; the country’s debt burden has not only declined sharply but fast approaching to a sustainable level; we have pre-paid expensive external debt and above all, both S&P and Moody’s have upgraded Pakistan several notches during the last five years. Pakistan has also made a successful return to the international capital market through the floatation of a $500 million Eurobond in February 2004 and $600 million Islamic Bond (Sukuk) in January 2005 on the back of an exit from the IMF Program. Both the transactions were oversubscribed several folds, reflecting a huge vote of confidence of international investors on Pakistan. To ensure fiscal discipline, the National Assembly of Pakistan has passed the Fiscal Responsibility and Debt Limitation Bill and is now one of the select countries of the world where such legislation exists. It was conceived and finalized by the Prime Minister of Pakistan Mr. Shaukat Aziz.

Going forward! We believe that we have laid the foundation of a stable and strong economy and the stage is now set for the economy to grow more vigorously (8% per annum) over the next 2 to 3 years with the private sector playing the lead role.

Structural change is the essence of development. Reform is a dynamic concept. The country must continue to adjust itself to changing domestic and external environments. Over the last five years we have introduced wide-ranging reforms in various sectors of the economy. These reforms have started yielding results in terms of improved macroeconomic environment and acceleration in economic growth. To achieve a 7–8% growth on a sustained basis, as we envisage in the medium-term, we have introduced second generation reforms. Over the next five years our reform agenda will concentrate on strengthening institutions; improving the competitiveness of our industries, building a robust financial system in an environment of global financial restructuring, further strengthening of tax administration, promoting transparency in economic policy-making and strengthening the country’s physical and human infrastructure.

Notwithstanding these successes, Pakistan still faces many challenges. How to translate these gains in improving the living standards
of the common man and how to improve education and health services, are the greatest challenges for our Government. We are aware of the issues and at the same time we have a plan to address these challenges.

Few policies have promoted development as powerfully as effective investment in human resources. The most important asset of any nation is its people. A weak social profile is an indicator of a waste of human potential. No nation can afford underutilizing its most important asset, particularly so in an era of globalization where the world economy is experiencing skill-based technological change. Our Government is fully committed to improve our human capital base because Pakistan cannot afford another decade of missed opportunities. We have prepared a comprehensive human development strategy aimed at effective utilization of available resources through improved institutional mechanisms. In devising these strategies, the Government has given particular attention to three factors.

First, we have developed these policies through a comprehensive bottom up consultative dialogue, which ensures that they are demand driven and locally owned. Second, instead of going for additionalities the Government’s human development priorities are focused on building on what is already there on the ground. Third, we are putting special emphasis on cultivating public-private partnership for improving human capital in the country.

We are allocating more resources towards human capital development. Many initiatives in the areas of education, health, clean water supply, job creation and social safety nets have been launched. The prospects of achieving and sustaining a 7–8% growth per annum will depend on the ability of the country to unlock the creative energies of its people. This requires investment in human capital. This is exactly what we are doing in the country. We have prepared a comprehensive human development implementation strategy which is synchronized to achieve the MDG’s and our own PRSP. The Prime Minister is personally leading the Human Resource Development through his Technical and Vocational Training initiative which is part of the Social Development program called Khushaal Pakistan.

In our venture of taking the economy on a sustainable higher growth path we believe that the private sector will be playing the lead role. We believe that respective roles of the government, development partners, and the private sector should be clearly delineated.

In Pakistan, a substantially large portion of our activities is in the hands of the private sector. It employs 90% of the labor force. With
accelerated pace of privatization, the role of the private sector is further expanding. Pakistan’s banking and financial sectors are much stronger today as compared to 10 years ago or in comparison to other countries in the Asian Region—thanks to wide-ranging reforms in the banking and financial sectors. Today, over 85% of the banking sector is in the hands of the private sector. Over the past few years, the Securities and Exchange Commission of Pakistan has actively pursued a capital market reforms program with a view to developing a modern and efficient corporate sector and capital market based on sound regulatory principles.

The steadfast support of the Asian Development Bank remains critical at this juncture in sustaining growth momentum and improving the quality of lives of our people. The support of ADB in strengthening the country’s physical infrastructure—vital for sustaining strong growth momentum—along with improvement in governance, private sector development, capacity building, an efficient and effective Medium-Term Strategy and enhancing regional cooperation, will be absolutely essential for us.

On the issue of capacity building, I must add that its importance is greatly enhanced with compounding policy initiatives and increasing fine-tuning of accompanying reform packages. Good implementation is our common goal and a successful implementation would require a two-pronged underpinning through capacity building and technical assistance. As borrowers, we are concerned about the long time lag involved in loan processing, the high costs of overheads and the limited range of our products. These are some of the areas calling for immediate attention of the Bank. We were encouraged by the vision and goals set by President Kuroda in his keynote speech. We look forward to working towards our mutual goals.

Let me once again congratulate you, Mr. Chairman, for your inspiring leadership and constructive actions to enhance the Bank’s effectiveness as a development partner.

These are exciting times in Pakistan. We have done a lot to improve the economic environment but more work is needed on our part. Our vision of a strong, vibrant, stable and moderate Pakistan which is a major regional anchor of peace, stability and economic prosperity is realistic. Pakistan is a moderate Islamic country. President Pervez Musharraf’s initiative of Enlightened Moderation is the way to proceed for the Muslim world at large and the rest of the world too. Let us work together to bequeath an economically stronger Pakistan to our current and future generations.
ROBERTO B. TAN, Temp. Alternate Governor
and Head of Delegation

“Iyi Gunler!”
Allow me to add the collective voice of the Philippines in appreciation of the excellent stewardship of former President Tadao Chino, particularly in recognition of his dedicated and focused efforts towards poverty alleviation. His tour of duty was especially significant as the Bank is strategically headquartered in my country, where poverty is an increasing cause for national concern.

I would also like to express our commendation to ADB for its quick response to raise a substantial financial assistance for our brothers affected by the unfortunate tsunami that occurred last year. This fund has been very instrumental in restoring the economic condition of affected countries. Once again, ADB has shown its commitment as our true partners for development.

The Philippines welcomes the election of President Kuroda and we take this important occasion of the 38th Annual Meeting of ADB Board of Governors to underscore the Philippines’ continuing support and cooperation to the Bank.

I would like to take a brief moment to recognize the top-notch efforts of our host, the Republic of Turkey, in their excellent management of the Turkish economy from a negative GNP growth a couple of years ago to one that is characterized by sustained and rapid growth, single-digit inflation, stable currency, and improved market confidence.

I commended the Turkish model because the Philippines will directly benefit from the economic turnaround that was managed and sustained by the Turkish authorities within a short period of time. I particularly want to understand closely the strategy of disinflation and rapid debt reduction that was undertaken by the Government, particularly problems encountered in the rapid implementation of such measures.

The Philippines believes that the pursuit of high quality reforms is not an end unto itself but is a means toward sustained economic growth and improved market and investor confidence. An important and pivotal part of the Philippines’ economic agenda is fiscal health anchored on sustained revenue growth and expenditure efficiency. Broadening the tax base is of prime importance to reverse the cyclical recourse to debt
financing and create a sustained program of infrastructure development and extension of public services nationwide.

However, similar to Turkey and other middle-income countries (MICs), vulnerabilities remain. The Philippines’ economic reforms are threatened by the size of the public debt and debt service requirements. The country continues to achieve gains in transforming key sectors such as power, telecommunications and transportation to be more market and private sector driven. We have likewise been successful in maintaining a sound debt maturity profile. External factors, however, such as unabated increase in oil prices and interest rates, as well as unclear prospects of certain export markets, continue to pose a risk to the country’s economic momentum for growth.

Given this reality, I urge ADB to develop responsive and innovative financing facilities more suited to the current needs of MICs similarly positioned as the Philippines. We look for a more robust financial program to help arrest the cyclical dependence on debt and cushion the adverse impact of extraneous pressures.

In particular, I urge the Bank to consider setting up a refinancing window as well as other financing facilities that would have immediate impact in easing the debt burden and provide greater economic space and flexibility for countries like the Philippines to more strongly pursue efforts towards across-the-board reform. Despite our successful management of debt liabilities, as well as aggressive measures to increase revenues, particularly from tax reform, we are saddled with a debt load which constrains our ability to undertake the needed infrastructural and developmental activities our country sorely needs.

Our proposed re-financing window may be accessed in cases when the MIC shall be qualified to obtain more liberal re-financing terms and conditions based on performance of reforms, particularly if such is on the back of high debt servicing. The proposed window will enable the MIC to mobilize more stable sources of financing from official funding institutions. This will allow MICs, such as the Philippines, to fully focus their national agenda to that of development.

In this light, we very much welcome the announcement of the President, in his address to the Board of Governors, on the Bank’s intention to develop and pilot-test new financial instruments and modalities, including local currency financing, sub-sovereign lending, refinancing and a multitranche financing facility.
In addition, we wish to express a growing consensus among affected member countries for the establishment of a permanent, regular fund to finance rebuilding efforts as a result of natural calamities and catastrophes. It is not unusual for countries in the pacific rim to experience calamities which tend to side track, if not completely derail development efforts. For developing countries, experiences such as these are very costly as they tend to reverse reform measures that are already underway. Being the premier development bank in Asia, ADB is the primary partner for development in this part of the world and is thus looked at as among the primary institutions to provide immediate financial assistance to ensure minimal impact on countries’ growth momentum.

These are the agenda we urge the Bank to seriously attend to as we, together, continue to forge a strong development partnership, especially in this age of globalization and borderless economies. MICs are extremely vulnerable compared to developed economies particularly in securing continued confidence of investors and financiers under a volatile international environment. MICs have the greatest need for resources and assistance that are more developmental and not quasi-commercial in nature.

It is of utmost concern, to say the least, that MICs resort increasingly to international commercial markets for funding national development efforts rather than from official development financing. We need to match our development expenditures with development financing. The Philippines is lending her voice to the common desire among MICs for more flexible and developmental funding assistance from multilateral sources, such as the Bank.

The fates of the multilateral development agencies and MICs are inextricably intertwined. It is this relationship that must be nurtured and sustained, especially in adverse, critical periods of a nation’s development towards being a responsible and productive member of our global family of nations.
JOSÉ MORENO, Temporary Alternate Governor and Head of Delegation

On behalf of Portugal, it is a great honor for me to address this Annual Meeting in this beautiful and mystic city of Istanbul.

Let me also join the previous speakers in expressing my deep appreciation for the Turkish Government and the people of Istanbul for their warm hospitality.

I would also like to congratulate Mr. Kuroda for his recent appointment as the 8th President of ADB and express my wishes of success in his new duties.

One of the most tragic moments that recently befell the people of Asia was the tsunami in the Indian Ocean. ADB had a very important role within the international community’s response in terms of emergency relief, building and rehabilitation—an ongoing task that we should continue to encourage.

As a development partner, Portugal is also proud to have joined, both the Government and the civil society, the international humanitarian movement in favor of the affected countries.

Asia and the Pacific is one of the most diverse and dynamic regions in the world. Actually, although poverty has declined in recent years and some countries have shown remarkable economic and social progress, major challenges still remain acute, particularly among poor fragile countries, with weak political and economic performances. I would like to refer, in this context, the case of East Timor and the role that ADB should continue to perform in this “post conflict” country, namely supporting its National Development Programme and its fight against poverty.

The international community’s emphasis today is, more than ever, on the common goal of reaching the MDG’s worldwide. ADB should have a leading role in making this happen in Asian region, focusing on its core
objectives and coordinating actions of all stakeholders.

We support the Bank’s Strategy on Poverty Reduction, which is embodied in the principle of a pro-poor sustainable economic growth and in the country needs as the driving force of country programme. Now it is time to implement a results-based system to enhance its development effectiveness.

The Bank should also play a more proactive role in promoting public private partnerships, namely in the infrastructures’ sector, expanding the use of guarantees and helping create an enabling environment for private sector development.

As a leading development partner in the region in terms of global knowledge, skills, as well as technical assistance and advice, ADB should also promote regional economic integration.

As far as aid allocation is concerned, Portugal is also looking forward to see how the Bank’s policy on “performance-based allocation” will develop and how it will harmonize with other Multilateral Development Banks.

We note with satisfaction that the fight against corruption is still a challenge for ADB and the Bank’s Reform Agenda. Fighting corruption and promoting anti-money-laundering policies should be a must in the minds of all.

Portugal supports the new Human Resources Strategy, recently approved by the Bank and believes that it will have a positive effect on institutional effectiveness and accountability.

Moreover, a more transparent and open system of recruitment should be fully supported and implemented, including for senior management staff, in order to allow for a wider geographical representation in ADB.

Additionally, the Bank should empower the resident missions, providing them more autonomy and responsibility. The Bank should also search for professionals that have a strong belief and passion in Development and that feel truly attached to the mission of eradicating poverty in the region.

Finally, my last remarks are to express my country’s continuing support to the fulfilment of ADB’s mandate in its fight against poverty in Asia and Pacific.
RAYMOND LIM, Governor

Introduction

On behalf of the Singapore delegation, I would like to express my deepest appreciation to the Government of Turkey, the people of Istanbul, as well as the Asian Development Bank (ADB) for their warm hospitality.

Crisis Management

In recent years, the Asia Pacific region has been hit by a series of crises such as the SARS outbreak, the Bird Flu epidemic and, more recently, the tsunami of 26 December 2004 which swept away hundreds of thousands of lives, and destroyed many homes, families, and livelihoods. In all these difficult times, ADB has never failed to respond swiftly and effectively.

I would specifically like to commend the Bank for its efforts in leading the deployment of humanitarian and aid relief efforts to countries that were devastated by the tsunami. Within days of the disaster, ADB pledged up to US$325 million of funding and collaborated closely with other relief teams to provide immediate assistance. As the relief phase came to an end, the Bank promptly initiated reconstruction and rehabilitation efforts, and led a high-level coordination meeting to discuss rebuilding plans for the affected countries. It is reassuring to know that when such large-scale disasters strike, we can rely on ADB to respond at such short notice.

Poverty Reduction Strategies

Although disasters grab the headlines, it is grinding poverty that continues to blight the daily lives of millions in Asia. Through the Poverty Reduction Strategy, which comprises the three pillars of pro-poor sustainable economic growth, social development and good governance, ADB has successfully facilitated policy reforms and capacity building among developing member countries.
The newly enhanced Poverty Reduction Strategy calls for more detailed analysis of the developing member countries’ needs in order for ADB to streamline its efforts with the respective country’s poverty reduction strategy and to effectively foster partnerships around the strategy. Five thematic priorities, namely, gender equality, environmental sustainability, private sector development, regional cooperation and capacity development, have been highlighted as critical components of ADB’s poverty reduction efforts. With such a comprehensive framework in place, I am confident of ADB’s continuing progress towards its vision of “an Asia and Pacific region free of poverty.”

**ADB’s Role in Regional Cooperation and Integration**

I would also like to commend ADB for its commitment to regional cooperation and integration. Since 1994, ADB has been assuming a vital role in the promotion of regional cooperation as a means to strengthening the respective developing member countries’ economies. In particular, the Bank’s regional and sub-regional programs as well as sectoral projects have been critical in enhancing collaboration and cohesion among neighbouring countries.

ADB recently announced the establishment of an Office of Regional Economic Integration in recognition of the importance of regional cooperation and integration for Asia’s future. This office will not only play a pivotal role as catalyst and coordinator but will also be a knowledge leader in this area. A Special Advisor to the President has also been appointed to take charge of regional economic cooperation and integration. Singapore firmly supports ADB’s emphasis in this respect and we believe that by facilitating market liberalisation and development as essential building blocks for regional integration, ADB can indeed be a key driving force in securing economic prosperity for Asia.

**Leadership of ADB**

Since its inception in 1966, ADB has been a leader in supporting the region through many difficult times such as the 1973 oil crisis and the Asian Financial Crisis of ’97/98. In January 1999, Mr. Tadao Chino was appointed President of ADB. It was a challenging time for Mr. Chino as the region was then recovering from the Financial Crisis. However, Mr. Chino remained resolute as he dedicated his efforts to poverty reduction
through initiatives such as the Poverty Reduction Strategy, post-conflict reconstruction assistance and private sector development strategies. I would like to express the appreciation and recognition of my Government for the success and legacy of retired President Tadao Chino.

I would also like to congratulate Mr. Haruhiko Kuroda on his appointment as the 8th President of ADB. Shortly after his appointment in November 2004, President Kuroda successfully led the coordination and provision of relief and reconstruction efforts to countries that were affected by the December 2004 tsunami. More recently, President Kuroda has emphasized regional integration as a critical strategy in poverty reduction and has acted swiftly by establishing the Office of Regional Economic Integration to spearhead issues in this important area. I am very encouraged by President Kuroda’s vision and leadership, and look forward to working with ADB and his office in the coming years.

Conclusion

The past year has been a mix of highs and lows for the region. I am deeply heartened by the Bank’s responsiveness and effectiveness during crises and emergencies, and its unrelenting efforts to alleviate and eradicate poverty. May I wish the Management of ADB another year of progress, success and achievement.

SOLOMON ISLANDS*

PETER BOYERS, Governor

It is an honor and a pleasure to make this statement on the occasion of the 38th Board of Governor’s Meeting. Given this opportunity, allow me to congratulate Mr. Haruhiko Kuroda on his appointment as the President of the Asian Development Bank. We believe that with his vast wealth of experience, commitment, vigor and vision the Bank would continue to appropriately address the needs of its members.

A return to law and order in the last two years has provided the Solomon Islands with a new opportunity to put its economy on a

* Statement circulated but not delivered.
sustainable path of economic development. However, given our high level of debt (over 100% of GDP) our balance sheet is still fragile.

To facilitate further economic growth and financial independence, the Government is concentrating its efforts on several broad reform areas that are targeted to reduce the debt servicing burden, remove business barriers and encourage private sector business.

The economic recovery, post conflict, has steadily continued in the Solomon Islands with real GDP estimated to be 5.5% in 2004, mainly through export related production, primarily logging, and donor related activities. Revenue growth has stabilized following the rapid economic recovery in 2004 facilitated by a return to stability. The large increases in revenue that caused the surplus in 2004 will not be repeated as the economy is now at a stable level. Further, revenue earned from logging is set to deteriorate in coming years, as current logging rates are unsustainable.

The Solomon Islands has continued to benefit over the last 21 months from the presence of the Regional Assistance Mission to the Solomon Islands (RAMSI). There are RAMSI technical advisers working alongside Solomon Islanders in a number of key areas, including: law and order, finance, health, and education. The Government is grateful to all those countries that have contributed to the RAMSI effort and in particular, the Australian and New Zealand Governments who also provided Budget support funds in 2004 to assist with funding recurrent Budget activities. The presence of RAMSI has seen an overall increase in general public and business confidence.

The Government would also like to recognize the support provided to the Solomon Islands by ADB and World Bank through the provision of technical assistance programs to help progress the Government’s reforms. The Government welcomes the continuation of this partnership long into the future. To this end the Government notes that the Solomon Islands, like many smaller member countries, has a lot of country specific issues and therefore requires any assistance to be tailored accordingly. Consequently, the Solomon Islands would welcome a more flexible approach by ADB when dealing with smaller countries. In addition, while we are very grateful for the strong commitments from ADB thus far, the facilitation of agreed projects must be expedited without further delay.

The Solomon Islands is still heavily reliant on donor funding for the provision of critical recurrent activities. ODA comprises around 50% of Solomon Islands GNI, with Solomon Islands being the highest recipient.
of ODA in the Pacific. Given the tight fiscal situation ahead the Solomon Islands will be unable to respond to any requests by donors to take over activities that they are currently funding, many of which are critical to maintaining the law and order initiatives. We are, however, committed to being a financially sustainable, independent nation. We are building forward Budget estimates and planning Government outputs to become less aid reliant in critical recurrent activities. We are also trying to service our debt obligations and prevent them from increasing further, though, we are not currently managing to fully service all our debts.

Over the last year the Government has made some positive steps in managing its debts, restructuring a significant part of its official domestic debts comprising of bonds issued to commercial banks and the National Provident Fund. Prior to the restructuring over 75% of these bonds were in default. The restructuring is estimated to have saved the Government over US$17 million over the next 15 years and has also seen the rejuvenation of the domestic financial sector. The Government has also continued to meet its payroll, superannuation and trade creditor forward commitments as they fall due, while at the same time also making some small part payments to domestic trade creditor arrears holders, which have greatly assisted in supporting local business and the domestic economy.

The current level of debt (external and domestic) has placed an unsustainable debt servicing burden on the Solomon Islands. On current projections the Government would require around 25% of its recurrent Budget to service and pay its maturing debts, more than what has been made available to fund these debts. In addition, a large financing requirement is projected for the Solomon Islands into the medium term and with no real access to borrowing, Budget cutbacks are likely to occur unless some debt relief can be provided. Whilst ADB and World Bank arrears were cleared by the Government of Australia with the Solomons currently managing these payments, a large portion of the country’s debts are still in default.

The Government has started negotiations with its external creditors but has had limited success on this front. Given that the Solomon Islands does not qualify for HIPC or Paris Club, traditional debt relief fora have not been able to be relied upon. Therefore to manage the external debt situation the Government is proposing a round table process where it negotiates with its external creditors (including multilateral and private creditors). As part of any conditionality attached to any debt relief granted the Government is prepared to commit to continue to implement its current economic, structural and other reforms.
The Solomon Islands, like other member countries, recognizes the significance of managing debt for medium-term fiscal stability and strong economic growth. Stability and growth are precursors to the reduction of poverty, attaining financial independence and achieving MDGs, as well as reducing the dependence on aid. We would, therefore, urge ADB and creditors of all countries to remain flexible and open in their approach to addressing the issues of all member countries with substantial debt burdens.

Finally, may I also take the opportunity to sincerely thank the Government and people of Turkey for the generous hospitality accorded to all delegates.

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**SPAIN**

**RAMON GUZMAN ZAPATER, Temp. Alternate Governor and Head of Delegation**

It is for me a pleasure to address this 38th Meeting of ADB Governors on behalf of Spain. I should first like to express our thanks to the Government of the Republic of Turkey for the excellent arrangements in the preparation of this Annual Meeting and for the cordial hospitality extended to us in this magnificent city of Istanbul.

I also take this opportunity to reiterate our support to Mr. Kuroda after his first months as President of the Asian Development Bank. Spain looks forward to a fruitful partnership with ADB under your leadership.

We believe that in spite of the risks involved in the current level of commodity prices, as well as in the prospect of interest rates hikes, the region has proven that rapid growth is sustainable over long periods of time, even outpacing major industrialized economies. We believe ADB has a relevant role promoting sound policies and continued market and institutional reforms, enabling an improved environment for the development of the private sector, and contributing to an open and cooperative system of economic relations within Asia.

Yet poverty is still widespread in Asia, and unfortunately, the region is also prone to suffering natural calamities. The tragedy caused by the tsunami was the worst disaster in recent memory. I would like to recognize here the prompt response and the leadership in the involvement of ADB
Management and staff in the rehabilitation and reconstruction of the tsunami-affected areas.

Mr. Chairman, we support you in your commitments to continue with the reform agenda adopted in 2004 under the leadership of your predecessor President Chino. We hold high expectations about expedite action in the human resources strategy in particular, together with the move towards greater transparency and accountability and the establishment of a culture of management for results.

Overall, to increase the chances of growth and to attain the Millennium Development Goals in the region ADB has to face important challenges. Allow me now to address some issues we consider of importance for the future of the Bank:

First, the Bank has started to work on a new framework for an enhanced relationship with the Middle Income Countries. This is a welcome strategic move that needs to be made in concerted action with other multilateral agencies but taking into consideration the specificities of the region. In spite of growing lending headroom, it is symptomatic that the level of lending has remained stable in recent years. Together with large advanced repayments of previous loans, this has resulted in negative net transfer of resources to its DMCs. The new framework will provide ADB with more opportunities to support growth and poverty reduction efforts.

Second, the interaction of ADB with its clients requires the highest standards of analysis and policy recommendation, and the provision of knowledge products in a strategic manner. To enhance its advisory role we believe the Bank could improve its research capability to act as a real provider of advanced policy oriented strategic thinking.

Third, we support the increased relative prominence of private sector operations in the past two years in the Bank. There are great opportunities and clear demand in the region for private sector promotion. We however believe on the need to integrate risk management of private sector activities in the Bank’s overall credit risk management through an independent unit as you announced yesterday.

Spain is closely engaged in the recent thinking on a renewed strategic multilateral agenda for development. Our contribution is based on the conviction that to achieve the MDG a greater political commitment and financial effort must be put forward. On this ground my country is prepared to increase its overall level of ODA to 0.5% of GNI by 2008, almost doubling our development assistance in four years.
ADB has an important role to play in Asia and the challenge of building on progress achieved. Spain has already proven in recent years its commitment to the goals and operations of ADB. Notwithstanding our limited share in the capital of ADB, we have become one of the largest European donors to the Asian Development Fund and a significant contributor in grants for technical assistance through our trust fund.

Allow me to close my intervention by reaffirming that Spain will remain clearly involved with ADB and will remain committed in this partnership. I am confident that as ADB moves into its first year of operations under your presidency, this cooperation will build on and reinforce the successes of the past.

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SRI LANKA*

SARATH AMUNUGAMA, Governor

On behalf of the Sri Lanka delegation, I wish to join the previous speakers in expressing our sincere thanks to the Government of the Turkey and the people of Turkey for their hospitality and to the Management and staff of ADB for the excellent arrangements that have been made. Mr. Chairman, on behalf of my delegation, may I congratulate you on your election as chairman of this meeting.

The member countries are greatly encouraged by the positive response of the donor countries to the Ninth Replenishment of the Asian Development Fund resources to the tune of US$7 billion. I have no doubt that the member countries would be benefited by accelerating their development process through the utilization of Fund resources.

As a regional development partner, ADB has taken the initiative to establish a separate fund for Post tsunami Rehabilitation activities by setting aside US$600 million from its own resources expecting significant contribution from other bilateral and multilateral sources. Countries worst hit by the tsunami such as Indonesia, Sri Lanka and Thailand will be greatly benefited by its assistance. It is observed that ADB has taken the leadership in the tsunami assistance with a total financial commitment of US$775 million (including reallocation of US$175 million). The example set by ADB would no doubt encourage the other major donors also to increase

* Governor’s statement read by Head of Delegation.
this assistance. Since over 70% of the member countries are from the Asian Pacific region, we appreciate the leadership taken by ADB in the Tsunami Rehabilitation in the Region. In a similar manner, the leadership of ADB is expected in the reduction of poverty in the Asia Pacific region through pro-poor sustainable economic growth and social development of its Asian member countries, as poverty remains one of the crucial issues in the development of the Asia Pacific region.

The Government of Sri Lanka is committed to the restoration of peace in the country as it is vital for the economic growth. As all our donors are aware, Sri Lanka will be hosting its Development Forum during the period 16th–17th May in Kandy, Sri Lanka and we will be presenting our medium-term development program for a wider consultation process. As a timely theme, it would mainly focus on Post tsunami rehabilitation activities but in addition Reforms for High Growth and Poverty Alleviation and also Good Governance would be two other main themes for discussion. We also expect to launch the Millennium Development Goal Country Report 2005 for Sri Lanka.

The tsunami-affected areas rebuilding program in Sri Lanka would require a financing of over US$1.5 billion. We have ensured that the development strategies envisaged for 2005 would not be in any way affected due to tsunami as the entire post tsunami rehabilitation program will be financed through donor assistance. However, we see the tsunami devastating as an opportunity for Sri Lanka to take the country to a higher level of growth performance as the country is reaching the US$1,000 per capita income level.

With the implementation of the Performance-Based Allocation by ADB at present, I have no doubt that a responsibility is placed on the member countries for improving their governance with suitable macroeconomic reforms along with the poverty reduction strategy. We will take full responsibility for the efficient utilization of fund resources to improve the country performance.

We specifically look forward to the continued support of ADB as our country goes through a challenging period particularly after the severe damage caused by the tsunami to people, their livelihood and assets. Sri Lanka as a founding member of ADB, takes pride in its excellent relationship with ADB. ADB has responded very positively to the request for Sri Lanka for assistance immediately after the tsunami for the Post Tsunami rebuilding process and I wish to place on record our appreciation for being the largest donor in the recovery process in the greatest natural
calamity in the recent history of Sri Lanka. We also look forward to ADB’s continuing support to further the Government’s other priority program along with the tsunami rebuilding program, particularly in the areas of highways, power, education, and rehabilitation of the North and the East and to promote private sector development.

Finally, I would like to take this opportunity to express our appreciation to ADB for being a major development partner of Sri Lanka. I express our deepest appreciation to the President of ADB, the Vice Presidents, the Board of Directors, the Management and the staff for their valuable contribution to the work of ADB.

SWEDEN

ANDERS OLJELUND, Alternate Governor and Head of Delegation

Let me join those that have thanked the Turkish authorities and the City of Istanbul for hosting this year’s Annual Meeting in these superb cultural surroundings bridging Asia and Europe, for their warm hospitality and excellent arrangements.

I would also like to extend my warm congratulations to President Kuroda on his election as the eighth President of ADB. When he took office, the devastating tsunami had recently struck several coastal communities around the Indian Ocean basin. President Kuroda showed strong leadership from the very beginning of his term.

With the September UN Summit looming large, today I would like to cluster my remarks around the Millennium Development Goals (MDGs). ADB clearly has the capacity to assist and equip the countries of Asia and the Pacific in the challenge they face to attain the millennium targets by 2015. Sweden thinks of ADB as so much more than a Bank. We look upon ADB as a development institution with a crucial role to play on the MDGs. In this context, there are particularly four general issues that we expect the Bank to focus on.

First, the economic growth in Asia and the Pacific that has prevailed during the last years has been impressive and will remain a major driving force for reducing income poverty. This is the most important lesson to learn from Asia: poverty is possible to eradicate! Here Sweden
welcomes ADB’s strong support to regional economic integration and to creating an enabling environment for private sector-led growth. The second lesson is that growth is difficult to distribute evenly. Income figures of the Region hide large variations between and within countries. Measures for stimulating growth must therefore be complemented by actions targeted at making it more equitable. As a regional development institution, ADB has a distinct advantage of being able to support its developing member countries where markets may fail. This calls for an increased focus on good governance, fighting corruption, social services delivery and building efficient and accountable institutions; elements that are fundamental if growth is to be made equitable and sustainable. ADB must constantly pose the question of who will benefit from its operations, and to tell what impact actions have on poor individuals and the possibilities to meet the MDGs. We must not forget that our objective is poverty reduction.

Second, aligning our development aid to countries’ national priorities, coordinating support and using country systems in a harmonized way are crucial undertakings if aid is to be used more effectively for the MDGs to be met in time. These undertakings are clearly spelled out in the Paris Declaration. Harmonization and results-based management must now be taken to the ground. ADB already has a comprehensive tool-kit in the form of the Reform Agenda, outlined at the start of the ADF IX negotiations. The real challenge for us pertains to ensuring quality in implementation at the country level. In this regard, Sweden particularly welcomes the commitment of President Kuroda to turn ADB’s system for managing for development results fully operational.

Third, I firmly believe that the next Medium-Term Strategy (MTS) should have the potential to manage and pull ADB’s different reform processes in one direction. In order to make best use of the resources and knowledge at hand, the MTS should provide guidance for clearer operational selectivity and focus. It should also help to further develop ADB’s comparative advantages in a regional as well as in a global context. In our view, the strategy will be a crucial instrument to step up ADB’s efforts on the MDGs, not least since it will cover the years 2006–2010—a period that will be decisive for attaining the millennium targets by 2015. This is also a period when all multilateral institutions, including ADB, will be measured against the undertakings that we will all make during the Millennium Summit. To this end, the MTS must be closely aligned to ADB’s Poverty Reduction Strategy and express a solid partnership between ADB and its member countries. Increased ADB efforts to engage in a strategic
discussion with the Board of Directors are therefore something that Sweden particularly encourages.

The final point I would like to make cuts across ADB as a whole and relates to the most valuable asset of the Bank—its staff. Without aligning staff incentives to performance, increasing accountability at all levels and introducing a merit-based system, we may fall short of implementing strategies and reforms aimed at effectively carrying out ADB’s development mandate—something that would badly influence the Bank’s role on the MDGs. Sweden therefore urges ADB to proceed rapidly with the implementation of its Human Resources Strategy. It is crucial that Management’s commitment to implement is clearly visible to each and everyone within the organization, through transparent and merit-based selection processes and enhanced gender equality.

In 2015, we will look back on past actions. We will ask ourselves: How effective have our efforts been in reducing poverty and improving the lives for millions of poor people? We have listened to what President Kuroda has said on several occasions, and we are optimistic of ADB’s commitment to attain the MDGs. ADB’s guiding vision—Asia and the Pacific free from poverty—is one Sweden deeply shares. Therefore we remain very supportive of the Bank and its new President, Mr. Haruhiko Kuroda.

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**SWITZERLAND**

**OSCAR KNAPP, Governor**

I would like to extend my deepest thanks to the Government of the Republic of Turkey as well as the authorities and people of Istanbul for their warm welcome and excellent arrangements for these meetings in this historic and beautiful city.

As you undoubtedly know, our host country has a long and rich past acting as a crossroads of great civilizations. The sense of being at a crossroads ought to be pervasive at this meeting: Nearly five years since the adoption of the Millennium Declaration and with only 10 years remaining to reach the MDGs, the momentum is growing to make 2005 a milestone year for the international development agenda. What’s more, with the recent change at the helm of this institution, 2005 will be crucial in setting the future course of ADB. Against this background, I find it fitting and indeed inspiring that Istanbul is the site for this year’s Annual Meeting.
The Asian-Pacific region is facing daunting challenges to achieve the MDGs. At first sight, this observation might seem peculiar: Over the past 15 years millions of people in the region have been lifted out of abject poverty, and this unparalleled success is projected to continue. Indeed, in 2004 the region achieved its best growth performance since the Asian financial crisis as aggregate GDP expanded by 7.3%, and for the period 2005-2007 average GDP growth is expected to remain robust at between 6.5% and 6.9%. On current trends, the region as a whole is likely to halve absolute poverty by 2015. However, this remarkable performance in the aggregate masks important disparities: A number of countries have had far less impressive growth rates and are thus at risk of failing to achieve the poverty related MDG, and within various countries the distribution of income and wealth has become increasingly unequal. Moreover, most countries of the region are off track to achieve the human development related MDGs, in particular in the areas of health and education. Finally, it should not be forgotten that Asia is still home to over 700 million poor people.

Thus, the countries of the region must scale up their efforts with respect to necessary structural and institutional reforms and investments in physical and human capital. However, the region is still in need of well targeted external assistance to help accelerate progress towards the MDGs. As the region’s premier development partner, ADB must assume a leading role in this respect. Mr. President, it is against this background that I would like to congratulate you for your unanimous election as the eighth President of ADB. The roadmap you laid out in your inauguration speech and the promising steps you have taken so far augur well for the future. A major challenge for you will be to sustain the visionary drive and leadership required to follow through with the far-reaching and ambitious reform agenda, while constantly adapting the institution to the diverse and evolving needs of its borrowing member countries. In meeting this difficult challenge, I would like to assure you of my country’s full support.

I would now like to briefly comment on your vision and plans for ADB and on the road ahead. Given that the Asian-Pacific region is a disaster prone region facing innumerable threats ranging from natural disasters to civil strife and public health threats such as HIV/AIDS, SARS or avian flu, it is crucial that the Bank dispose over the capacity to respond to the region’s needs in a flexible and timely manner. This will certainly require ongoing efforts by the Bank, notably a further decentralization of authority from ADB headquarters to resident missions. On the other
hand, I was impressed by ADB’s swift and unbureaucratic response to the tsunami disaster. This commendable initiative has sent a strong signal that Bank Management is committed to reinforcing ADB’s responsiveness.

The mid- to long-term rehabilitation and reconstruction efforts in the tsunami-affected countries represent an important challenge for the Bank. It is of utmost importance that these efforts are coordinated with the activities of other bilateral and multinational partners and closely aligned with the aspirations and perceptions of the affected communities. Moreover, despite the need for flexibility, it is crucial for the Bank to find ways to guarantee a judicious, transparent and equitable use of resources and to avoid that funds are misappropriated.

This brings me to an insight that is now widely acknowledged, but due to its significance deserves to be repeatedly called to mind, namely that even the best designed development intervention will fail unless countries strengthen governance systems and tackle the cancer of corruption. Building upon the foundation of mutual trust it has established with its borrowing member countries, ADB must scale up its efforts aimed at helping its clients to follow through with politically sensitive reforms, build healthy institutions and combat corruption. In addition, I would like to call upon the Bank to display more sensitivity regarding the political environment of its DMCs. In this respect I look forward to reviewing the implementation of the Bank’s governance and anticorruption policies.

I strongly welcome plans to boost the Bank’s role as a promoter of regional cooperation and integration. Not only the various natural and health threats referred to above, but also the region’s growing economic weight and interdependence with the global economy highlight the need for stronger regional cooperation. With respect to regional trade integration, I would like to point out that while the conclusion of bilateral or regional trade agreements is in principle beneficial, it would be a mistake to allow the growing momentum for such arrangements to take precedence over multilateral trade liberalization. Against this background, in the upcoming months it is crucial that developed and developing countries alike overcome domestic constraints and aim for an ambitious and timely outcome to the Doha Round.

It is widely agreed that ADB must further strengthen its role as a catalyst for the private sector. The past year has demonstrated that ADB is determined to do so by expanding its private sector operations, not least through the proactive use of equity investments. In principle I support the Bank’s recent drive to increase its lending volumes for private sector operations. However, this expansion needs to be accompanied by a
substantial strengthening of the Bank’s financial risk management system. In addition, more effort should be devoted towards demonstrating that the Bank’s private sector operations have a measurable impact on poverty reduction. Apart from increasing lending volumes for private sector operations, the Bank also needs to step up its efforts to help improve the investment climate and business environment of the region. This also requires an improved communication and collaboration between PSOD and the public sector departments within ADB. Finally, it is important that the Bank implement all its private sector activities in a coherent fashion. Given the evolving nature of the Bank’s support in this dynamic sector, I would like to encourage the Bank to develop a new private sector development strategy as soon as possible.

It is also long overdue that ADB clarify its approach towards the middle-income countries (MICs), home to most of the region’s poor and the Bank’s principal client-base for its OCR operations. With a view to ongoing complaints about the high costs of doing business with the Bank, ADB must introduce simpler and more flexible procedures to meet their changing and diverse needs. In this context ADB should consider to liberalize expenditure eligibility categories for investment lending and to rely more heavily on country systems. Furthermore, ADB must keep in mind that it should not compete on the grounds of its price, but rather because it is seen as an attractive development partner that can provide value-added through its regional and sectoral expertise. As such there is certainly a growing need for ADB to further develop its analytical capacity for the MICs. Without substantial progress in this area, the Bank risks undermining its relevance for OCR borrowers.

I welcome that ADB has firmly committed itself to the Paris Declaration adopted at the recent High Level Meeting on Harmonization and Alignment. Harmonized procedures and operational policies and an improved division of labor between the multilateral organizations as well as bilateral donors are essential to generate larger development impacts and to reduce transaction costs. In the spirit of the Monterrey consensus and the Paris Declaration, ADB must better align its CSPs to country owned development strategies and PRSPs.

Last but not least, I would like to underline my expectation that Management keep up the momentum in implementing the internal reform agenda, in particular with respect to Management for Development Results (MfDR). We welcome the progress achieved so far, notably the ongoing efforts to make the MDGs an integral and monitorable part of country programming and the elaboration of the first results-based CSPs. I would
also like to commend the Bank for developing and adopting the new Human Resources (HR) Strategy. However, efforts need to be sustained to enhance the effectiveness and efficiency of this institution. Of particular importance is the effective and timely implementation of the new HR Strategy. In this context, the reappointment or selection of new Vice Presidents in the months ahead will serve as a first litmus test in determining to which extent the principles of transparency and accountability in an open process are respected in this institution.

To conclude, I am confident that under the new leadership of President Kuroda and with the ongoing dedication and competence of the Bank’s Management and staff, ADB is well equipped to face the challenges ahead. Switzerland looks forward to continuing to work with ADB in defining its future role in support of the objective for which we are all striving—an Asia-Pacific region free of poverty.

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TAIPEI, CHINA*

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FAI-NAN PERNG, Governor

On behalf of the delegation of Taipei, China*, I would like to thank the Government and people of Turkey for their hospitality, and the staff of the Asian Development Bank for their arrangements. Istanbul, the choice venue, takes on an international significance. It is at the junction of two continents where civilizations meet. We are privileged to explore its rich culture.

President Kuroda, since taking office in February, has continued the Bank’s effort to rebuild tsunami-hit countries. In March, he hosted a high-level meeting to promote coordination among governments and donors involved in the tsunami rebuilding process. For longer-term plans, he aims to lead the Bank to become more customer-oriented, to act as a catalyst for greater regional economic integration, and to streamline organizational and business processes. I believe that under President Kuroda’s leadership, the Bank will achieve a new milestone and continue to steer a course for sustainable growth and prosperity for Asia.

In recent years, banks in most of the countries affected by the Asian financial crisis have significantly reduced their nonperforming loans.

* Changed by Meeting Secretariat.
State-owned banks and financial institutions in the few other countries, however, are still experiencing difficulties. In view of this, the Bank introduced financing programs and encouraged international banks to help strengthen weaker financial systems in the region. We fully support this policy and would like to suggest that the Bank issue a set of guidelines and standards on this type of loans so that other developing member countries (DMCs) can soon benefit from it.

In addition, the Bank completed a thorough review last year, which underlined its need to head toward a more quality- and result-oriented approach to operations. Based on this review, the Bank proposed the reform agenda, aiming to enhance its organizational effectiveness, to better manage its resources, and to deliver products and services to DMCs more efficiently. We support these measures as they correspond to President Kuroda’s vision. Figures showed that about one-fifth of the loan approvals by the Bank were not effectively carried out. Borrowing countries have also prepaid large portions of the Bank’s loans since 2002. As a result, the Bank’s outstanding loans from ordinary capital resources (OCR) dropped significantly, creating a gap between the supply and demand for the Bank’s loanable funds. This might have affected the Bank’s regional influence. I suggest the Bank draw up its plans based more on real needs and socioeconomic conditions, thus matching President Kuroda’s objective of leading the Bank to become more customer-oriented.

The tsunami, a major event of last year, devastated many countries in the region. In response, the Bank set aside US$600 million in readily available funds and another US$175 million in reprogrammed funding for Indonesia, Maldives, Sri Lanka, and India. I applaud the Bank for providing such generous and timely support. My country, driven by the same compassion, has also sent relief, and supports the Asian Tsunami Fund. I believe the Bank’s efforts will expedite the recovery process of those affected.

Regional currencies, beginning from the fourth quarter of last year, have surged against the US dollar due to large short-term capital inflows. Exchange rates become more volatile than can be explained by fundamentals, destabilizing the economies. To deal with excessive volatility, a number of Asian countries formed the Asian Bellagio Group. I suggest that we push this idea further and set up a formal regional exchange-rate coordination mechanism through which stable currency relationships can be established.
The idea of exchange rate coordination deserves our attention. Since the 1990s, intraregional trade and investment in Asia have been expanding. An effective exchange rate coordination mechanism not only contributes to regional economic stability but also further promotes trade and investment by bringing down transaction costs and uncertainties associated with exchange rate fluctuations.

The Asian Bellagio Group, the Chiang Mai Initiative (CMI) and the Asian Bond Fund (ABF), among others that emerged after the outbreak of the Asian financial crisis, have contributed significantly to regional financial stability. Yet, more can be done. I believe that Asian countries should engage in broader and more frequent formal policy dialogues and information exchange. The CMI can be consolidated to create a single multilateral swap mechanism across Asia with the Bank at the center to serve as the primary intermediary. This will pave the way for the Asian Monetary Fund. The ABF helps promote the Asian bond market. The sound development of this market can mitigate the double mismatch problem such as the one we had during the Asian financial crisis, but should be firmly based on domestic bond market reforms. Otherwise, Asian bonds are likely to be limited to denominations of only a few key currencies in Asia.

Most importantly, regional cooperation should be more inclusive. Countries with economic strength and adequate financial resources should be allowed to participate in the process. Moreover, as regional integration is multilateral in nature, I suggest the Bank actively establish itself as the platform for regional economic integration. Through this platform, member countries will be able to engage in more extensive cooperative relationships among one another.

I will briefly update you on the Taipei, China* economy. For the year 2004, the GDP went up by 5.71% and consumer prices rose by 1.62%. Unemployment dropped from its peak at 5.35% in August 2002 to 4.15% this March. The balance of payments has been in good shape. Foreign exchange reserves have been building up. The private sector has maintained a net external claims position.

I would like to reiterate that Taipei, China* is a founding member of the Bank and has fully carried out her membership responsibilities. My delegation continues to protest against the unilateral alteration of our membership designation. Lastly, I wish the meeting every success.

* Changed by Meeting Secretariat.
At the end of the statement by the Governor for Taipei, China, the Chairperson made the following statement: “I thank the Governor for Taipei, China. Fellow Governors, I would like to clarify for the record that the Bank recognizes the member only by the name of Taipei, China.”

**TAJIKISTAN**

**N. BURIEV, Alternate Governor and Head of Delegation**

Let me express my gratitude to the Asian Development Bank for the provided opportunity to greet all the participants of ADB’s 38th Annual Meeting, which is held in such wonderful nook of Eurasia. I think that is a good symbolic step in light of traditional significant role of Europe in world economic relations development and increasing role of the Asian region and need in its stable development.

I want to express special appreciation to the Government of Turkey for the hospitality and assistance in organizing today’s meeting.

We consider this meeting as a significant step in mutually beneficial cooperation development and establishing more close relations of Tajikistan with ADB and other international financial institutions.

I would like to note with special satisfaction that the support of international institutions including ADB as one of the donors and development partners, allowed Tajikistan to achieve the significant success in economic reforms and transformation programs. The achieved success opened up the opportunities for stable economic growth and strengthened the country capacity to address poverty-related issues in orderly manner.

Positive rates of economic growth were achieved in the 1st quarter of the current year as well, with GDP growth amounted to 7.8% as compared with the similar period of the previous year, and inflation rate restrained at 1.8% level.

The problem of external debt that hampers Tajikistan’s efforts on achieving economic growth and poverty reduction was alleviated. These results were achieved with technical support of IMF, Swiss Government, and ADB, and we continue to improve debt management...
system and update our integrated computerized database of all government external debt liabilities with their support.

As for the medium-term period, the Government of Tajikistan through realization of programs on economic reforms intends to ensure more sustainable economic growth, and, as a result, to address poverty alleviation problem, which appears to be the top priority for the country for near future.

We highly appreciate the role and efforts of the Asian Development Bank as the main partner in implementation of the Poverty Reduction Strategy. Cooperation with the Bank within ongoing programs tends to be expanded with regard to priority directions.

However, the loan portfolio of Tajikistan currently amounting US$265 million, still does not satisfy the development needs of the country. Besides, ADB did not so far realize possibilities for private sector development financing in Tajikistan.

It's not the secret that at present time the developing countries feel a need for the extended financing to maintain a strong growth and further development, since the lack of own funds and heavy external debt burden do not allow independent and timely solving of poverty reduction problems and achieving sustainable development.

Taking into account the problems faced by the governments due to the lack of own funds and delays in development projects implementation, I would like again to draw the Board of Director’s attention to the issue of financing for development without use of counterpart financing by the governments of developing countries.

In this context, the Government of Tajikistan welcomes and considers that the initiative of US Government directed to considerable activation of international communities’ activity on provision of grants and writing-off the debts of developing countries is timely.

I suppose that these measures will allow improving economic conditions of beneficiary countries and, accordingly, will expedite the development projects implementation. Such powerful international financial institutions as the Asian Development Bank should take the lead and do its best to eliminate deficit of financing through extended grant assistance.

On this meeting, I would like to specially note ADB’s initiative on regional cooperation development under its projects, and to express our thanks for its work on organization of regional meetings and conferences that promote solution of many problems of international importance, often appeared due to the lack of activity coordination.
I hope that the Bank’s initiative will be expanded and supported by specific steps aimed at elimination of current barriers and problems using the existing geopolitical and economical opportunities. The Bank’s initiatives on development and implementation of regional projects that are active in other parts of the Asia-Pacific Region, have to cover the Central Asia Region as well.

Tajikistan can take the lead in establishing new economic relations within the regional cooperation in Central Asia countries, but for this purpose we need the support both from single countries and international financial institutions, and particularly the Asian Development Bank.

In our turn, I want to assure you that the Government of Tajikistan firmly intends to continue its policy directed to the increase of economic transparency and deep introduction of market economy principles and relations.

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THAILAND

CHAIYOT SASOMSUB, Governor ad interim

It is my great pleasure to address this annual meeting of the Board of Governors of the Asian Development Bank. I join others in thanking our host, the Government of Turkey, for their warm welcome and great hospitality.

I would also like to extend our sincere congratulations to Mr. Haruhiko Kuroda on his recent election to the Presidency of the Asian Development Bank. We believe that his tremendous experience should lead ADB into a new age of regional prosperity and development.

Thailand has achieved healthy economic growth. Even during a period of global uncertainty, our unflagging dedication and hard work has revitalized the very foundations of our kingdom. Renewed economic expansion has produced an average annual growth rate of more than 6% over the last three years. Innovative economic strategies have boosted domestic demand while increasing intraregional trade has raised external demand. Also, economic stability has been strong. Inflation and unemployment rates have been contained at lower than 3%, while foreign reserves have risen to 4 times greater than our short-term external debts.
The second term of the Thaksin administration, with a one-party cabinet for the first time, marks the dawn of a new era in Thailand’s legacy of political stability. By building on the foundations of reform that we have already established, we now have a chance to vault our economy into the bright and beautiful future. The last 5 years of ceaseless effort have not lulled us into complacency; on the contrary, they have served as proof that success is within our reach.

There has never been a better time to improve Thailand through sweeping economic reform. In this climate of limitless possibility, Prime Minister Thaksin has pledged to eradicate poverty by 2009. We truly believe that sustained competitiveness and value creation must begin at the very roots of our nation. Starting at the bottom of the pyramid, our government is beginning to unlock the great potential hidden away in rural Thailand. We have been, and will be expanding more opportunities for the underprivileged to create higher income and to have better access to financial resources. We will succeed in our drive to eradicate poverty. But the process of reform is not complete.

Under the steady principles of economic and social sustainability, our nation can vault towards the prosperity of a developed first-world country. We are working towards our long-term goal by pursuing three main branches of reform.

The first branch of reform ensures that the human and social development of our great kingdom receives equal attention as our economic development. We aim to promote lifetime education. Free education for all students is now a reality. More students will be granted access to college education. Training programs will be offered to whoever wants to learn more about special fields. We are investing in the educational infrastructure that will allow the people of Thailand to realize their full potential as internationally respected professionals.

The second branch of reform is designed to enhance our national competitiveness in the international market. The Prime Minister stressed the importance of “value creation” to the long-term prosperity of our economy. It is our strong intention to add more innovative value on top of the traditional value of labor, land, and capital. Our intellectual property, our local skills, and our unique culture must be built into our products. Enhancing national competitiveness also requires transparent private and public sectors as well as efficient financial and capital markets. So, private and public sector reforms as well as financial and capital market reforms must be strengthened. We believe that these reforms will produce incredible productivity gains that will continue for years to come.
The third branch of reform will foster regional inter-reliance. In the era of globalization, addressing domestic challenges alone may not be adequate. Regional integration must be strengthened, so that Asia can grow together. To this end, our Prime Minister has initiated the Asia Cooperative Dialogue, which aims to construct lasting networks that will link our Asia members together. We are also actively promoting regional trade and financial cooperation. For example, Thailand has played a leadership role in promoting the Asia Bond Initiative, which has the potential to revolutionize the process of saving and investment worldwide.

The primary goal of the Thai government and ADB is the same: we are both committed to the pan-Asia eradication of poverty. Today, I say that we can achieve this overarching goal if we all work together. In conjunction with ADB, Thailand actively supports the Greater Mekong Subregion (GMS). To top off these efforts, we foster greater subregional integration in the Ayeyawady-Chaophaya-Mekong Economic Cooperation Strategy (ACMECS). We also established the Neighboring Countries Economic Development Cooperation Fund to provide financial and technical support for neighboring countries. Thailand is now ready to lead the Subregion into a new era of prosperity.

Today, Thailand enjoys a donor-country status. We are proud to be a donor to the Asian Development Fund (ADF). In the new ADF IX, we have pledged over US$3 million, which is a 20% increase from our last contribution. Our new ADB resident mission is also opening new opportunities for Thailand and ADB to form partnerships for regional development. But the process of reform is not complete.

Now is the time to act. In this climate of reform, let us not be content with the results we have already achieved. Let us act in the interests of Asia by promoting a cooperative framework of regional economic integration. With support from ADB, under the leadership of a famous advocate of Asia economic integration, we are certain that our interregional cooperation will continue to strengthen. By working as a team, Thailand, ADB and all of us can produce a legacy of sustainable economic development in the region.

Together, we can shape the future of Asia. Let us work hand in hand to construct a framework of regional prosperity and success.
On behalf of the Government of Turkmenistan, I greet the esteemed gathering and would like to express gratitude to President of ADB, Mr. Haruhiko Kuroda, and the staff of this Bank, as well as to the Government of Turkey and Istanbul city for the organization of this 38th Annual Meeting on such a high level.

We are very grateful for the opportunity to participate in this forum and highly appreciate the mutual understanding existing between us so much promoting the expansion of the cooperation of ADB and Turkmenistan.

Our country, under the leadership of President of Turkmenistan, Saparmurat Turkmenbashi, pursues the peaceful domestic and foreign policies. Thanks to these policies, we have good active relations with over 95 countries of the world and continue to expand the geography of the economic relationship based first of all on the mutual interest in solution of economic issues. Commencing from 2003, Turkmenistan successfully implements the National Program “Strategy of economic, political and cultural development of Turkmenistan for the period through 2020” where the priority aims and objectives of the development of the country in the beginning of XXI century are defined. The development strategy implies the solution of one in two tasks¾establishment of modern, competitive economy and its deep integration to the world economy.

The successful realization of the national economic strategy paved the way for the creation of the basis of market economy of mixed type directed on the strengthening of economic independent and sustainable development of all its sectors. The stepwise implementation of objectives defined in the state programs of socioeconomic development of Turkmenistan allowed to increase largely the volumes of industrial and agricultural production, investments, to develop transport infrastructure and communication. Owing to the creation of modern industrial complexes operating with the use of advanced technologies and local raw materials, Turkmenistan managed to raise substantially its export potential within the shortest period of time.

The sustainable growth of the economy provides the possibility to pursue actively the social policy directed on the security of all groups of the population. Such municipal services as water, gas, electricity are
provided to the population on at no charge basis. The education is free of charge.

The Government continues the implementation of market reforms, the building of adequate legal framework aimed at promoting the development of non-public sector of the economy. For instance, in 2004, the new Tax, Land and Water Codes were enacted with the goal to reduce expenditures and stimulate the development of new technologies in production and further develop agricultural sector.

Major economic indicators reflect high economic growth and balanced development of main industries and infrastructure. Stable performance of real sector over the recent 6 years and economic results for 2004 suggests the incontestable evidence of the chosen direction of our economic development strategy. Previous year gross domestic product increased in real terms by 17%, and over the last 6 years the real production of goods and services increased 2.6 times.

Our close cooperation with the Asian Development Bank started in 2000 when Turkmenistan became the 59th member of the Bank. After signing Framework Agreement on Technical Assistance with ADB in July 2001, including participation in regional initiatives, our relations enhanced in areas of investment projects and in projects aimed on capacity building and human resources development. With pleasure we want to note the active and dynamic work of the Asian Development Bank in Turkmenistan related to realization of regional energy and infrastructure development projects.

In conclusion, I would like to express confidence that in future the Asian Development Bank will continue productive cooperation with Turkmenistan with the purpose of achieving even more positive results in socioeconomic development of the country.

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UNITED KINGDOM
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GAVIN MCGILLIVRAY, Temp. Alternate Governor and Head of Delegation

I want to echo previous speakers in thanking the Turkish authorities for hosting this Annual Meeting, for the welcome in the historic city of Istanbul, and for the splendid organization.
I also want to recognize the staff of the Asian Development Bank. We have a debt of gratitude to you all, especially for your fast and efficient response to the tsunami crisis.

I should like today to concentrate on just a few areas that the United Kingdom considers are critical for the ongoing vitality and relevance of the Bank: capitalizing on the Bank’s strengths in infrastructure; the need to work together better; the importance of Bank staff in further improving Bank performance; and the question of where the Bank should be 10 years from now.

My first point is that the Bank should play to its strength in the provision of infrastructure, and do so in ways that directly maximize benefits for poor people. Infrastructure is even more valuable if the Bank can furnish both the appropriate financing instrument and appropriate advice on policy and institutional capacity. Why focus on the infrastructure needs of the poor? Because many Asian countries are growing remarkably quickly, but serious development challenges remain. One cannot pursue growth while neglecting the millions of people that remain below the poverty line in many Asian countries. Achieving the Millennium Development Goals means that growth must be conducted so as to benefit the poor. Helping to provide infrastructure and related services to isolated and disadvantaged regions and communities would make a real difference to poverty in Asian countries. Sector based infrastructure programs, especially to achieve the water and sanitation MDG, are an effective way to help governments implement national plans and build institutional capability.

Many infrastructure projects are financed by several parties, and this brings me to my second point—the urgent priority that we the donor and multilateral community must all give to working better together, with each other and with partner governments. We all, including the Asian Development Bank, signed up to the Declaration at the recent Paris High Level Forum on Aid Effectiveness. I would encourage the Bank, and all potential partners, to work more effectively together and reduce the burden on the governments we support. We need to find smarter ways of working collectively, dividing responsibilities in ways that most add value, and reducing the burden on the governments we support.

The United Kingdom has been encouraged by the increasingly effective collaboration that we have enjoyed with the Bank in recent years. There have been many positive aspects to our joint efforts, and we are currently working together to build on these, strengthening our partnership in Bangladesh, Cambodia, India, Indonesia, Pakistan and elsewhere—
so helping to increase our joint impact on the Millennium Development Goals.

My third point is the urgency of bringing to fruition the Bank’s new human resource strategy and results-based management. We strongly support these initiatives and urge their early implementation. DFID has recent experience in introducing systems for better staff performance. The keys for DFID have been clear and consistent messages from senior management, effective decentralization and delegation, and staff planning and performance appraisal processes that highlight the corporate priority of better working with other governments and donors.

My fourth and concluding point: what is our vision of where we want the Asian Development Bank to be 10 years from now—and what role should it be playing in the wider development architecture to effectively meet the needs of a diverse group of borrowing countries? For instance, should it become an ever more effective financier of infrastructure—effectively a powerful niche player? Should it spread into other areas to become the premier provider of development finance in Asia and the Pacific? Should it deal principally with national governments—or is there a role for providing finance and advice to sub-sovereign entities such as municipal authorities? What sorts and modalities of finance and advice can the Asian Development Bank render most usefully to those of its borrowing countries that have growing access to eager private sector providers? Is there a future for the Bank in continuing to fund commercial companies? What responsibility should the Bank have in achieving the MDGs?

Difficult questions all. The Asia and Pacific region is rapidly changing. I know that we are not alone in believing that the time is ripe for a re-evaluation of the role of donors. Of course, such considerations will be a crucial ingredient in putting together the Bank’s next Medium-Term Strategy. We look forward to pursuing this and the other themes I have touched on today in Board discussions over the coming months.
BOBBY J. PITTMAN, Temporary Alternate Governor and Head of Delegation

It is an honor for me to be here in Istanbul for the 38th Annual Meeting of the Asian Development Bank, and I extend my deepest thanks to our Turkish hosts for their gracious arrangements. I would also like to congratulate and warmly welcome President Kuroda.

Recent Developments in Asian Economy

We meet at a time of great opportunity for East Asia. Growth rates in many East Asian economies are at their highest levels since the ‘97 crisis. And the number of poor in East Asia has declined at its most rapid pace since 1999. In this light, we believe there is no better time than the present to implement the critical structural reforms that are required to assure that the development record of this region is sustained in the future.

First, I urge countries to take advantage of this period of high growth to reduce their budget deficits, thus freeing up future resources for growth-enhancing investments including infrastructure. Second, it is critical for countries with a record of corruption and uneven application of regulatory burdens to strengthen their investment climate. Third, I note the importance of strengthening the financial sector and capital markets to improve the efficiency of financial intermediation, which has long been a bottleneck to growth and a systemic risk.

Finally, I want to stress the importance of increased exchange rate flexibility for large economies in the region. I want to be clear why we believe this is critical. This is important for the global economy—to ensure prompt and efficient transmission of price signals and to facilitate adjustments to international imbalances. It is also strongly in the interest of the economies themselves. This is because it enhances the ability of monetary authorities to focus on price stability and stable growth. It avoids the buildup of imbalances that can lead to abrupt adjustments.

Many economies in the region, such as the Republic of Korea and Thailand, have made notable progress in establishing credible
monetary policy frameworks with inflation targets and more flexible regimes. Others, such as the People’s Republic of China (PRC), have implemented important reforms to develop more liquid foreign exchange markets and instruments to manage foreign exchange risks. But macroeconomic imbalances in the PRC are rising, as is the risk of another boom/bust cycle that could adversely affect the region. The PRC is ready. It should move to a more flexible regime now.

ADB has been a leading force in the region to help developing economies address these challenges. We welcome ADB’s critical role, particularly as the region has been coalescing around a core set of economic integration initiatives. We strongly support such regional financial initiatives, especially where there has been an urgent need to further develop and strengthen domestic financial markets—particularly domestic bond markets.

Economic Development Agenda of the United States

Let me now turn to broader, institutional matters. The ADF IX replenishment agreement reached in May 2004 was a milestone for reform at the Bank. We are encouraged by the prospects for change that would make ADB a more transparent, responsive and results-oriented institution. It is our job as shareholders to hold ADB accountable and to set a high standard for achievement. It is our task now to see that this ambitious reform agenda is implemented. I would like to use this opportunity to take a closer look at three critical elements of the Bank’s reform agenda: implementation of measurable results; grants; and the effort to fight corruption and increase transparency.

Rigorous Measurable Results

Results measurement needs to be strengthened at all levels if we are to achieve the goals set out in ADF IX. This means establishing new mechanisms and strengthening existing practices. At the institutional level, we fully supported the launch of a new human resources policy in October 2004 and expect, before the end of this year, a new performance management system will be in place that rewards staff for achieving development outcomes. A Results Management Unit has been established to guide implementation of the results measurement agenda, and it is essential it become fully operational as soon as possible.
Unfortunately, detailed and quantified targets are not yet consistently found in all ADB project documents. We want to see higher standards for results measurement adopted at all levels of the Bank. This means quantified, timebound indicators in all projects and programs. We hope President Kuroda and ADB senior management will communicate the importance of this agenda to Bank staff and the broader public.

*Increased Grant Assistance*

Last year, the Bank agreed to devote 21% of ADF IX assistance for grants in the region’s poorest and most-vulnerable countries starting in 2005. We applaud ADB’s leadership and foresight on this issue. However, we are concerned that only 2 grant projects amounting to $38 million have been approved to date. This is less than 3% of the total grant envelope for ADF IX. We urge the Bank to accelerate efforts to identify and channel financing to grant projects. We should not delay in getting this assistance to the countries that need it most.

*Fighting Corruption and Enhancing Transparency*

In an environment of scarcity, every dollar lost to waste, fraud and misgovernance is a dollar not invested in poverty reduction and growth. ADB has already adopted some important anticorruption measures, including increased assistance for good governance, implementation of a more open disclosure policy, more corruption risk assessments in project and country papers, and a doubling of the number of procurement audits.

All of these elements are critical, but we believe much more can be done. We would like to see a more proactive and powerful role for ADB’s Integrity Division. Whistleblower protections also need to be further strengthened to encourage staff to report allegations of fraud. ADB can establish an important deterrent by publishing the names of debarred firms and individuals and by automatically disqualifying those firms debarred by other financial institutions. At the project level, we would like to see a greater willingness to cancel loans where corruption is detected. We hope ADB will work with other MDBs to develop a set of tough, uniform anticorruption standards.
Responding to the Tsunami

ADB’s remarkable response to the Asian tsunami tragedy has shown the institution at its best. Over $700 million in grants and loans have already been approved for India, Indonesia, Sri Lanka and Maldives. From the beginning, ADB worked closely with the World Bank, UNDP and other major donors to avoid duplication and improve aid efficiency.

We hope flexibility and pragmatism will continue to be the hallmark of ADB’s tsunami assistance. The challenge now is not lack of funds, but ensuring effective coordination and rapid disbursement of assistance. Recipient countries and donors (including civil society organizations) must focus on measuring the results of reconstruction efforts and ensuring that assistance is used efficiently, transparently and accountably. Participants to ADB’s March 18 tsunami conference agreed to develop a Tsunami Results Matrix to monitor results and track funds. We believe this is a critical tool that will demonstrate that real results are being made on the ground to help tsunami victims.

Conclusion

Over the last year, ADB has begun to translate the ideals of the last replenishment into concrete action. However, the proof of whether ADB has become a better institution will be in the development impact felt on the ground. Results measurement will have become a reality when we can account for every donor dollar in terms of development outcomes achieved in poor countries. The United States will continue to engage closely with ADB on this reform agenda to see it to successful completion.

UZBEKISTAN

RUSTAM AZIMOV, Governor

ADB Annual Meeting in the ancient and beautiful city of Istanbul, crossroads of civilizations for millennia is taking place at the time when the wonderful results, good prospects and great hopes of development for the majority of the Asian countries are accompanied by still existed global challenges and threats. The main task which standing in front of us today is to address and prevail these global challenges and threats.
The devastating tragedy of the earthquake and tsunami in the Indian ocean, which took hundreds of thousands of lives, continuing global terrorism activity, the difficult post-conflict processes in Iraq, Afghanistan and other parts of our continent, high world prices volatility and many other challenges are increasing the threat to the sustainable development of the Asia-Pacific countries.

However, years have followed the Asian financial crisis demonstrated that the countries of our region, under the strong participation of ADB, managed to mobilize financial, intellectual and human resources, in order to overcome the global challenges. In this context I would like to thank former ADB President, Mr. Tadao Chino, for his outstanding contribution, excellent results and unique commitment to serve to the development for the Asia and Pacific nations.

Uzbekistan delegation highly welcomes the dynamism and decisiveness of the new ADB President, Mr. Haruhiko Kuroda, who has introduced impressive and comprehensive program of the Bank policy for the years to come.

We welcome the proactive leadership of President Kuroda who demonstrate in promoting candid and broad-based dialogue. We are encouraged by ADB's commitment to remain attentive to the voices of the countries and formulate tailor-made strategies for its client, taking into account the diversity in the region.

We are confident that the relevance, responsiveness and result-oriented approach will ensure a new quality of the Bank’s operations and a greater efficiency and assisting DMCs in their reforms processes.

Uzbekistan, being the heart of Central Asia, highly appreciates the Bank’s extensive support to market transformation in our country. Last year, our economy has reached almost an 8% GDP growth, inflation went down to less than 4%, foreign trade turnover increased by 30%, while foreign trade surplus exceeded US$1 billion.

Based on our transitional experience we convinced that ADB should be more focused on the following priorities:

Creation of modern educational system. Uzbekistan is a kind of unique country that allocates almost 50% of the state budget expenditures for Education Development Program. At the same time my President Islam Karimov is confident that this is not merely expenditures, but the most reliable and promising investments in the generations to come and future prosperity of our nation.

It is important to note that all the educational cycles including the primary, secondary, professional and higher education should be
interlinked and prepare our youth to be competitive in the global labor market and to respect the democratic values.

The development of the efficient healthcare system, which alongside with the paid medical services, should ensure basic medical needs for all groups of population, especially for the children, women and vulnerable people.

Today, as never before, the support of the development of small business and private entrepreneurship is vitally important. The scale of such support should be significantly expanded. In developing assistance programs greater attention should be paid to microfinancing for entrepreneurs, especially for women trying to begin their own business.

We consider development of the educational system and the dynamic growth of SMEs as the crucial vehicle preventing and combating extremism and terror, which usually recruit uneducated young men from poor families.

Transport infrastructure development that is the basis for the growth of internal and regional trade, as well as for the deepening integration of the economies of the region’s countries calls for a greater attention from the Bank.

We are confident that successful agricultural sector reform is the most important condition for the general success of the market transformation process. The creation of the modern market infrastructure for rapidly growing class of private farmers, along with decisive liquidation any subsidies to loss making and low profitable agricultural enterprises needs to be widely supported.

Regional cooperation. It is important to note the unique and leading role of ADB in promoting regional cooperation in Asia. In this context, we strongly support President Kuroda’ recent decision on establishing the Office of the Regional Economic Integration, which aims to further enhance and assists the integration initiatives in Asia.

We strongly believe that the most important impulse for the sustainable development in Central Asian countries is the successful implementation of the initiative of President Islam Karimov on creation of the Central Asian Common Market.

This initiative envisages a step-by-step approach for establishing the free-trade zone, followed by customs and eventually economic union in Central Asia.

In this regard, we invite Asian Development Bank to act as the main advisor and coordinator of this genuinely historical process where
the Bank, based on its previous experience in South East Asia, could play a catalyst role.

In conclusion, on behalf of the delegation of the Republic of Uzbekistan, I would like to express sincere gratitude to the Government of Turkey, the authorities and people of Istanbul for the warm hospitality and exceptional organization during the Annual Meeting.

VIET NAM

LE DUC THUY, Governor

It is my honor to address this Thirty-Eighth Annual Meeting of the Board of Governors of the Asian Development Bank. First of all, I would like to extend my congratulations to the host Government of Turkey and ADB on the excellent organization of this important event. It is my great pleasure to visit Istanbul, a fascinating city with unique historical and cultural background, where the East meets the West. I wish to especially express my gratefulness to the city’s people and the Government for their warm and generous hospitality. I would like also to join fellow Governors to welcome Mr. Kuroda, ADB new president, and I wish him all the best in his term of leadership of this very important regional development bank.

The focuses of world economy picture in 2004 were an unexpected, long rising of oil price and highest level of growth since the regional crisis. Despite the rise of oil price, average inflation rate was contained at about 3%, relatively equals to the level of 2003. International trade growth in 2004 reached 8.5%, the highest average over the last 4-year time. The vigorous growth of international trade has become a driving force of the global high economic growth. However, the serious devastation of the earthquake and tsunami happened late last year and its long lasting aftermaths also cause negative impact on the recovery of region’s economy. At this forum, I would like to express our great sympathy to the countries hit by the disaster for heavy losses of human and property.

In 2004, Viet Nam was challenged by hard-to-control difficulties including the spread out of bird flu to almost every corners of the country; price increase of commodities; severe weather conditions in some areas. However, thanks to the proactive implementation of enhanced reform
actions and timely and synchronized responsive measures to the difficulties, last year, Viet Nam was able to continue encouraging economic and social outcomes. Economic growth rate was at 7.7%, higher than that of 2003, mainly accounted for robust growth in industrial, trade and service sectors; export grew by 31% reflecting the expanding international trade scale of the country; State Budget’s revenue was 14.5% in excess of target making 2004 the seventh consecutive year of having State Budget’s revenue in excess of target. The positive economic outcomes have contributed to effective realization of social objectives. Poverty incidence, computed by national standards, was further reduced from 11% in 2003 to 8.3%. Thriving economic performance in 2004 had helped generate 1.5 million additional jobs thereby reduced the unemployment rates to 5.6% in the urban and 1.1% in the rural.

2005 is the year in which Viet Nam is to complete the implementation of 5-year Economic and Social Development Plan for 2001–2005 and to conduct a midterm review of implementation of 10-year Economic and Social Development Strategy for 2001–2010. This is time for Viet Nam to make stronger changes to accelerate its course of economic reform and development with an aim of achieving high yet sustainable and pro-poor growth. Our next 5-year Economic and Social Development Plan for the period of 2006–2010 defines some principal directions, including: (i) striving for achievement of rising economic growth at a level higher than that of the last 5-year period, and thereby double the per capita income by 2010 in comparison with the level of 2000; (ii) substantial completion of the restructuring of state-owned enterprises through accelerated equitization of SOEs, including large-scale enterprises, and continued implementation of reform program in financial sector; (iii) facilitate development of private sector, especially of the small and medium enterprises; (iv) accelerate the international economic cooperation and integration process through satisfactory fulfillment of commitments under integration arrangements and enhanced cooperation with strategic multilateral and bilateral partners; (v) make effective and sustainable changes in public administration reform and fights against red tape and corruption. It is true to say that the Doi Moi in Viet Nam has just changed gear to speed up with bolder and decisive reform measures and programs. In 2005, Viet Nam is also putting highest level of effort into the accession to the World Trade Organization. In this process, we highly appreciate all the support and cooperation from the WTO members.
I share the concern of President Kuroda of the Asian-Pacific Region full of successful stories yet major challenges remain, and the most challenging one is poverty reduction. With ADB setting poverty reduction its overarching goal, we have trust that one day in a not far future, this Region would be free of poverty. To make that dream come true, countries in the Region and ADB must try much harder, especially ADB in the role of Region’s principal assistance resource provider and coordinator. Organizational restructuring as well as external relationship strengthening by ADB are commendable efforts that need to continue to further improve the efficiency of the performance of the Region’s “Family Doctor.” Viet Nam welcomes any dialogue with ADB as to help the organization better understand and respond to the diverse needs of its DMCs, and make appropriate changes to its operation procedures and policies. The forthcoming Kunming GMS Summit Meeting in July is another important milestone of the subregion’s economic development cooperation under ADB-sponsored Greater Mekong Subregion Initiative, the most successful subregion arrangement. Viet Nam undertakes to closely cooperate with other GMS members and ADB to further promote the efficient use of this ADB additional funding channel for the sake of poverty reduction and economic development in the subregion.

I strongly hope that under the leadership of President Kuroda, ADB will be reinforced to become a reliable development partner with efficient resources of the Region’s growing economies.

On behalf of the people and Government of Viet Nam, I would like to express once again our sincerest gratitude to ADB for the continued and invaluable assistance extended to our country.
Remarks by*

THE CHAIRPERSON-ELECT OF THE BOARD OF GOVERNORS
AND GOVERNOR FOR INDIA

THE HONORABLE P. CHIDAMBARAM

Mr. Chairman, I would like to read out the personal message sent by the Honorable Finance Minister of India and the Governor for India, Mr. P. Chidambaram.

“I convey my sincere regrets at being unable to attend the Annual General Meeting of the Asian Development Bank. The Budget session of the Indian Parliament is currently on and I have been obliged to cancel my visit at the last minute due to unavoidable parliamentary business.

India is very happy to accept the election as the next Chair of the Board of Governors. I treasure India’s association with ADB. I deem it an honor to host the Annual Meeting and chair the deliberations during the start of the final ten-year stretch in our race to the shared vision for 2015, a world where the lives of hundreds of millions of poor people have been transformed and as they escape from poverty, disease, illiteracy, and gender inequality.

I understand that the hosts in Istanbul have set very high standards. While we can safely promise you much warmer, dare I say hotter, weather, we shall endeavor to match the Turkish standards of hospitality and efficiency.

Mr. Chairman, Mr. President, Governors, delegates and participants, may I extend to you our very warm and cordial invitation to the Bank’s 39th Annual Meeting at the wonderful and historic city of Hyderabad. We look forward to meeting all of you at Hyderabad at the same time next year.”

Mr. Chairman, let me add my personal welcome to all delegates to Hyderabad next year.

* Read by the Head of Delegation and Alternate Governor.
Closing Remarks by

THE PRESIDENT OF ADB

HARUHIKO KURODA

Introduction

The Thirty-Eighth Annual Meeting of the Board of Governors is now coming to a close. I would like to thank the Governors for providing valuable insights and perspectives on the challenges involved in further reducing poverty and achieving the Millennium Development Goals in Asia and the Pacific.

This has been a very successful and productive Annual Meeting. Let me briefly review a few highlights.

The Region

Governors observed that, over the last year, the economies of developing Asia and the Pacific achieved their highest growth rates since the Asian financial crisis. There has been a marked increase in business investment almost every year, particularly in East Asia and Southeast Asia. It will be vitally important to continue regional cooperation and integration efforts to promote further economic growth and inclusiveness.

Governors noted that developing Asia has entered a new era of development characterized by dynamic growth, increased interdependence, and an unprecedented prominence in the global economy.

However, we all recognize that global macroeconomic challenges may constrain future growth in Asia and the Pacific. Further, the current generally buoyant economic profile is not uniform and significant disparities in economic and social development persist within countries and across the region. There was wide recognition that countries need to give greater attention to the challenge of achieving balanced growth and overcoming income inequality. The benefits of growth must be extended to the entire population by including the poor and vulnerable in the mainstream of economic development.

Governors pointed out that progress in reducing non-income poverty has been slow in many countries. Further reductions in poverty and achievement of most or all of the MDGs by 2015 will require increased support from the international community.
ADB

Governors expressed their strong appreciation to ADB for its leadership role and quick response in addressing the aftermath of the tsunami in late 2004. They requested ADB to work with development partners to ensure integrity in the use of funds and to monitor the effectiveness of operations financed by the Asian Tsunami Fund.

There is broad recognition that good governance, transparency and continued vigilance in anti-corruption activities are critical. Governors commended ADB on establishing an Integrity Division to support these efforts.

The importance of managing for development results was strongly reaffirmed. Governors welcomed the establishment of the Results Unit, but urged ADB to accelerate implementation of a results agenda throughout the institution.

Implementation of the new Human Resources Strategy is crucial for ADB’s development effectiveness. Governors noted the recent approval of the Public Communications Policy and requested Management to oversee full implementation of the policy.

ADB is strongly committed to a more proactive role in regional cooperation and integration, and Governors welcomed the creation of the Office of Regional Economic Integration. They also requested ADB to promote more efficient financial intermediation in the region, and to assist DMCs to meet the challenges of globalization.

Governors share ADB’s concern with the negative net transfer of resources to DMCs. They welcomed ADB’s plan to streamline policies and procedures, develop new lending instruments, sharpen the focus of its operations, and ensure the cost competitiveness, within a well defined medium-term strategic framework.

To meet the large infrastructure challenges in the region, Governors urged ADB to work with governments, development partners, and the private sector. They particularly encouraged ADB to promote increased private sector participation in the region’s development. They also welcomed ADB’s plan to establish an independent risk management unit.

Governors commended ADB on the introduction of grants in ADF IX, and noted that the use of ADF IX grant resources must be consistent with the institution’s overall commitment to development effectiveness.
Conclusion

Governors, ADB is firmly committed to reducing poverty and achieving the MDGs in Asia and the Pacific. ADB has reaffirmed its vision of a region of Asia and Pacific free of poverty. We are entering a new era that holds much promise for the region.

In this new era ADB must become a more relevant, more responsive and more results-oriented institution, serving the interests of all shareholders.

As President of ADB, it has been my privilege to meet and engage with you during this important meeting. I look forward to your continued support and partnership.

I wish to convey our gratitude to the Chairman, Mr. Ibrahim H. Çanakci, Undersecretary of the Treasury of Turkey, for the splendid arrangements for this meeting. I also thank the two Vice-Chairmen, Mr. N. Altankhuyag of Mongolia and Sir Geoffrey A. Henry of Cook Islands.

I congratulate the Governor for India, who will serve as Chairman of the Board of Governors for the coming year.

Finally, we wish all of you a safe and pleasant journey back home and look forward to seeing you again in Hyderabad next year.
Closing Remarks by

THE CHAIRPERSON OF THE BOARD OF GOVERNORS
AND GOVERNOR FOR TURKEY

IBRAHIM H. ÇANAKCI

I would also like to extend my appreciation to all of you for your participation in and invaluable support for the 38th Annual Meeting of the Asian Development Bank.

I believe the meeting provided an excellent opportunity to exchange views on pressing agenda items. We covered many development issues, including poverty reduction, and had lively discussions on the future direction of ADB.

The Governors also expressed their sympathy to the victims of the devastating tsunami and reinforced their support to the affected countries while acknowledging ADB’s prompt and efficient response to the crisis.

As President Kuroda has stressed, the Asia and Pacific region is moving into a new era of development. Regional and interregional cooperation and integration, and infrastructure improvement were the common theme of all discussions.

A key message that I derived from our discussions is that sustainable and rapid growth requires confidence, consistency, and continuity in domestic economic policies. In my opening address, I emphasized the importance of ongoing management reforms and their crucial role in enhancing ADB’s capacity to adapt to a rapidly changing environment—in the region and in the world. I referred to the tangible benefits of ADB’s response to the poverty reduction review of 2004. I believe management reforms and poverty reduction reviews should be part of our self-assessment and a way to crosscheck the effectiveness of our policies and efforts. I am confident that the Governors’ able guidance will help sustain the momentum on this front.

I trust that your stay in Istanbul has been a captivating experience while giving you the chance to hold fruitful discussions.

Thank you all for being part of this occasion and for your contributions. I thank President Kuroda, the Vice Presidents, The Secretary, the staff of ADB, and my staff for their dedicated work and cooperation, which made the Meeting a success.
REPORTS OF THE BOARD OF DIRECTORS
PRESENTED AT THE MEETING

Document No. BG38-4

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 2004, including the financial statements for the operations of Special Funds, as contained in the Annual Report for 2004, are submitted for approval, together with the text of a draft Resolution. *

* The text of the Resolution as adopted (Resolution No. 307) appears on page 301.
1. ADB’s net income from its ordinary capital resources for the year ended 31 December 2004 after appropriation of guarantee fees of $3,472,587 to the Special Reserve in accordance with Article 17 of the Articles of Agreement, amounted to $427,079,623. With respect to such amount, the Board of Directors, after due consideration, recommends that the Board of Governors adds $51,800, from Loan Loss Reserve and allocates $40,962,859 to Cumulative Revaluation Adjustments account; $37,916,764 to Ordinary Reserve, $40,000,000 to Surplus; $288,000,000 to Asian Tsunami Fund; $32,000,000 to the Technical Assistance Special Fund; and $40,000,000 to the Asian Development Fund.

2. The net income from the Asian Development Fund (the Fund) for the year ended 31 December 2004 amounted to $200,717,427. Under the regulations governing the Fund, the net income of the Fund is required to be retained in the Fund, except that the Board of Governors may transfer some of the net income to be applied towards technical assistance grants. Owing to the need for further resources for concessional lending, no such transfer is recommended by the Board of Directors.

3. A draft Resolution implementing the recommendation in paragraph 1 above is attached.*

* The text of the Resolution as adopted (Resolution No. 308) appears on page 302.
BUDGET FOR 2005

REPORT OF THE BOARD OF DIRECTORS

A. Asian Development Bank

1. A Report on the Budget for 2004 was submitted to the Board of Governors at the Thirty-Seventh Annual Meeting (see DOC.BG37-6 dated 12 April 2004).

2. Actual Internal Administrative Expenses (IAE) for 2004, as presented in Appendix 1, amounted to $275.0 million, reflecting a saving of $4.5 million against the original budget of $279.5 million. The savings mainly result from lower-than-expected expenditures for the Board of Governors and Board of Directors, staff salaries, staff development, business travel, and administrative expenses, as well as non-utilization of the one percent general contingency. These savings were partially offset by higher requirements for consultants and staff relocation.

3. The 2005 Budget was approved by the Board of Directors on 17 December 2004. The 2005 IAE Budget of $299.8 million was formulated to provide resources required to effectively deliver ADB’s core work program and maximize impact on development effectiveness and poverty reduction as well as to improve the efficiency of ADB operations, including the implementation of the reform agenda.

4. A comparison of the 2005 work program with the actual results for 2003 and 2004 is shown in Appendix 2.

5. Appendix 3 presents a distribution of the operational expenses by Department/Office, and Appendix 4 provides a comparison of operational expenses by program category for 2004 and 2005.

6. In addition to the internal administrative expense budget, the 2005 Budget also includes an annual capital budget of $3.85 million, mainly to fund cyclical capital expenditures for the headquarter facilities and
information technology equipment, and to meet the capital replacement and acquisition requirements of field offices.

B. Asian Development Bank Institute

7. Actual Program Expenses of the ADB Institute for 2004, as presented in Appendix 5, amounted to $2.5 million. This represents a saving of $1.1 million or 69% utilization over the 2004 budget. Savings are largely due to lower-than-budgeted expenses on the visiting research program, which brings researchers from DMCs to work at ADBI.

8. Actual IAE of the ADB Institute for 2004 amounted to $9.0 million. This represents a saving of $0.4 million or 95 percent utilization of the original budget. Overall savings are mainly due to lower expenditures on staff, staff consultants, business travel, and non-utilization of the general contingency provision.

9. ADB Institute’s Budget for 2005 was approved by the Board of Directors on 17 December 2004. The 2005 Budget of $14.4 million comprises program expenses ($3.8 million) and IAE ($10.6 million).

10. The program expenses budget of $3.8 million comprises research ($2.3 million) and capacity building and training ($1.5 million). The IAE budget is $10.6 million, including a general contingency provision of $0.5 million or about five percent.

11. Program expenses budget accounts for 28 percent of the total ADB Institute’s Budget (Appendix 6). 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 66 percent of the total Budget of ADB Institute for 2005.
## Appendix 1

### ASIAN DEVELOPMENT BANK

**COMPARISON OF 2005 BUDGET WITH 2004 BUDGET AND ACTUAL RESULTS**

### INTERNAL ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2004 Budget</th>
<th>After Transfers</th>
<th>Actual</th>
<th>2005 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. BOARD OF GOVERNORS</strong></td>
<td>800</td>
<td>800</td>
<td>594</td>
<td>975</td>
</tr>
<tr>
<td><strong>II. BOARD OF DIRECTORS</strong></td>
<td>11,940</td>
<td>11,940</td>
<td>11,565</td>
<td>19,477</td>
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<tr>
<td><strong>III. OPERATIONAL EXPENSES</strong></td>
<td>214,078</td>
<td>214,078</td>
<td>213,340</td>
<td>222,537</td>
</tr>
<tr>
<td>Salaries</td>
<td>112,061</td>
<td>111,222</td>
<td>111,073</td>
<td>115,178</td>
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<tr>
<td>Benefits</td>
<td>56,401</td>
<td>56,473</td>
<td>56,453</td>
<td>61,799</td>
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<tr>
<td>Staff Development</td>
<td>2,750</td>
<td>2,750</td>
<td>2,225</td>
<td>3,267</td>
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<tr>
<td>Relocation</td>
<td>3,534</td>
<td>4,244</td>
<td>4,244</td>
<td>3,769</td>
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<tr>
<td>Consultants</td>
<td>17,553</td>
<td>19,045</td>
<td>19,045</td>
<td>16,906</td>
</tr>
<tr>
<td>Business Travel</td>
<td>19,409</td>
<td>17,974</td>
<td>17,974</td>
<td>19,246</td>
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<tr>
<td>Representation</td>
<td>370</td>
<td>370</td>
<td>326</td>
<td>372</td>
</tr>
<tr>
<td><strong>IV. ADMINISTRATIVE EXPENSES</strong></td>
<td>49,953</td>
<td>49,953</td>
<td>49,517</td>
<td>53,870</td>
</tr>
<tr>
<td>Communications</td>
<td>6,932</td>
<td>7,113</td>
<td>7,113</td>
<td>6,982</td>
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<tr>
<td>Office Occupancy</td>
<td>11,441</td>
<td>10,984</td>
<td>10,984</td>
<td>11,355</td>
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<tr>
<td>Library</td>
<td>904</td>
<td>964</td>
<td>964</td>
<td>925</td>
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<tr>
<td>Office Supplies</td>
<td>2,004</td>
<td>2,004</td>
<td>1,756</td>
<td>1,934</td>
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<tr>
<td>Office Equipment</td>
<td>5,215</td>
<td>5,198</td>
<td>5,101</td>
<td>6,286</td>
</tr>
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<td>Contractual Services</td>
<td>9,024</td>
<td>9,133</td>
<td>9,133</td>
<td>10,243</td>
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<tr>
<td>Insurance</td>
<td>757</td>
<td>787</td>
<td>709</td>
<td>637</td>
</tr>
<tr>
<td>Depreciation</td>
<td>13,233</td>
<td>13,312</td>
<td>13,312</td>
<td>14,839</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>413</td>
<td>458</td>
<td>445</td>
<td>487</td>
</tr>
<tr>
<td><strong>V. TOTAL BEFORE GENERAL CONTINGENCY</strong></td>
<td>276,771</td>
<td>276,771</td>
<td>275,036</td>
<td>296,859</td>
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<tr>
<td><strong>VI. GENERAL CONTINGENCY</strong></td>
<td>2,768</td>
<td>2,768</td>
<td>-</td>
<td>2,969</td>
</tr>
</tbody>
</table>

**TOTAL** 279,539  279,539  275,036  299,828

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*a* Transfers were made between budget items within each budget category without exceeding the original amount of each category.

*b* The Accountability Mechanism and the Operations Evaluation are placed as separate subcategories under the Board of Directors category starting from 2006 budget. These items include direct expenses for the Office of the Special Project Facilitator (OSPF) and the Operations Evaluation Department (OED), which were previously included in the Operational Expenses category.

*c* Annual Meeting expenses.

*d* 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 ($645,000), accumulated compensated absences ($482,000), and accrued resettlement/repatriation allowances ($27,000); (ii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs ($11,173,000) and post-retirement medical benefits ($187,760,000); and (iii) charges pertaining directly to ADF ($1,000). Total administrative expenses, as shown in the financial statements, amount to $397,760,000. The amount, after deducting $715,000 directly charged to the Trust Fund for East Timor (now Timor-Leste) ($394,000), Japan Scholarship Program ($55,000) and Japan Fund for Poverty Reduction ($260,000), has been distributed as follows: OCR - $18,521,000 (Ref. OCR-2); net of $22,221,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses; ADF - $165,152,000 (Ref. ADF-2); and JSF - $1,191,000 (Ref. JSF-2).
## Appendix 2

**ASIAN DEVELOPMENT BANK**

**COMPARISON OF 2005 PROGRAM WITH ACTUAL RESULTS IN 2003 AND 2004**

<table>
<thead>
<tr>
<th>Item</th>
<th>2003 Actual</th>
<th>2004 Actual</th>
<th>2005 Program/Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Outputs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio Management (number)</td>
<td>435</td>
<td>415</td>
<td>430-460</td>
</tr>
<tr>
<td>Loan Projects (Public Sector)</td>
<td>89</td>
<td>97</td>
<td>110</td>
</tr>
<tr>
<td>Private Sector Operations</td>
<td>878</td>
<td>1,016</td>
<td>800-850</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Disbursements ($ million)</td>
<td>3,816</td>
<td>3,563</td>
<td>4,000</td>
</tr>
<tr>
<td>TA Disbursements ($ million)</td>
<td>166.4</td>
<td>133.2</td>
<td>174.5</td>
</tr>
<tr>
<td><strong>Public Sector Lending Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects (number)</td>
<td>62</td>
<td>59</td>
<td>79</td>
</tr>
<tr>
<td>Amount ($ million)</td>
<td>5,917.8</td>
<td>4,946.5</td>
<td>6,028</td>
</tr>
<tr>
<td><strong>Private Sector Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approvals (number)</td>
<td>7</td>
<td>16</td>
<td>15-18</td>
</tr>
<tr>
<td>Amount ($ million)</td>
<td>562.7</td>
<td>807.2</td>
<td>800-1,100</td>
</tr>
<tr>
<td><strong>Cofinancing and Guarantee Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects (number)</td>
<td>28</td>
<td>33</td>
<td>35-40</td>
</tr>
<tr>
<td>Amount ($ million)</td>
<td>2,418</td>
<td>2,441</td>
<td>1,800-2,300</td>
</tr>
<tr>
<td><strong>Technical Assistance Processing</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Projects (number)</td>
<td>315</td>
<td>333</td>
<td>298</td>
</tr>
<tr>
<td>Amount ($ million)</td>
<td>176.5</td>
<td>197.3</td>
<td>174.5</td>
</tr>
<tr>
<td><strong>Country Strategic, Economic, Thematic and Sector Work (number)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSP/CSP Updates</td>
<td>27</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>CER/CER Updates</td>
<td>14</td>
<td>5</td>
<td>5</td>
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<tr>
<td>Poverty Analysis/Assessments</td>
<td>3</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Poverty Reduction Partnership Agreements</td>
<td>7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Country Governance Assessments</td>
<td>5</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Country Private Sector Assessments</td>
<td>4</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Other Economic, Thematic and Sector Works</td>
<td>84</td>
<td>139</td>
<td>122</td>
</tr>
<tr>
<td><strong>Research and General Economic Work (number)</strong></td>
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<td></td>
</tr>
<tr>
<td>Studies/Research Papers</td>
<td>104</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td><strong>Operations Evaluation (number)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Performance Audit Reports</td>
<td>22</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Other Evaluation Reports</td>
<td>19</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td><strong>Borrowings ($ million)</strong></td>
<td>4,141</td>
<td>1,629</td>
<td>5,308</td>
</tr>
<tr>
<td><strong>B. Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized Staff Positions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Staff</td>
<td>791</td>
<td>820</td>
<td>849</td>
</tr>
<tr>
<td>National Officer</td>
<td>362</td>
<td>399</td>
<td>425</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1,034</td>
<td>1,049</td>
<td>1,079</td>
</tr>
<tr>
<td><strong>Internal Administrative Expenses ($ million)</strong></td>
<td>252.6</td>
<td>275.0</td>
<td>289.8</td>
</tr>
<tr>
<td><strong>C. Gross Income ($ million)</strong></td>
<td>2,069</td>
<td>1,745</td>
<td>1,710</td>
</tr>
<tr>
<td>Ordinary Capital Resources</td>
<td>1,740</td>
<td>1,379</td>
<td>1,317</td>
</tr>
<tr>
<td>Asian Development Fund</td>
<td>329</td>
<td>306</td>
<td>352</td>
</tr>
</tbody>
</table>

---

**Notes:**
- TA = technical assistance, CSP = country strategy and program, CER = country economic review.
- Some private sector projects may include two distinct equity investments.
- Includes RCSP/RCSPUs (Regional Cooperation Strategy and Program and Updates).
- Includes staff of Operations Evaluation Department.
### Appendix 3

**ASIAN DEVELOPMENT BANK**  
**2005 BUDGET**  
**DISTRIBUTION OF OPERATIONAL EXPENSES BY DEPARTMENT/OFFICE**  
($'000)

<table>
<thead>
<tr>
<th>Department/Office</th>
<th>2004 Actual</th>
<th>% of Total</th>
<th>2005 Budget</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. President</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offices of Management</td>
<td>3,928</td>
<td>2</td>
<td>4,289</td>
<td>2</td>
</tr>
<tr>
<td>European Representative Office</td>
<td>814</td>
<td>0</td>
<td>892</td>
<td>0</td>
</tr>
<tr>
<td>Japanese Representative Office</td>
<td>893</td>
<td>0</td>
<td>738</td>
<td>0</td>
</tr>
<tr>
<td>North American Representative Office</td>
<td>876</td>
<td>0</td>
<td>760</td>
<td>0</td>
</tr>
<tr>
<td>Office of the Auditor General</td>
<td>2,871</td>
<td>1</td>
<td>3,297</td>
<td>1</td>
</tr>
<tr>
<td>Strategy and Policy Department</td>
<td>4,436</td>
<td>2</td>
<td>5,058</td>
<td>2</td>
</tr>
<tr>
<td>Regional Economic Monitoring Unit</td>
<td>1,361</td>
<td>1</td>
<td>1,178</td>
<td>1</td>
</tr>
<tr>
<td><strong>B. Knowledge Management &amp; Sustainable Devt Group</strong></td>
<td>21,955</td>
<td>11</td>
<td>23,867</td>
<td>11</td>
</tr>
<tr>
<td>Regional and Sustainable Development Department</td>
<td>13,088</td>
<td>6</td>
<td>14,514</td>
<td>7</td>
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<tr>
<td>Economics and Research Department</td>
<td>5,339</td>
<td>3</td>
<td>5,690</td>
<td>3</td>
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<tr>
<td>Office of External Relations</td>
<td>3,528</td>
<td>2</td>
<td>3,663</td>
<td>2</td>
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<tr>
<td><strong>C. Operations 1</strong></td>
<td>64,761</td>
<td>31</td>
<td>67,436</td>
<td>30</td>
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<tr>
<td>South Asia Department</td>
<td>37,663</td>
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<td>40,080</td>
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<td>Mekong Department</td>
<td>19,841</td>
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<td>19,303</td>
<td>9</td>
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<tr>
<td>Private Sector Operations Department</td>
<td>7,257</td>
<td>4</td>
<td>8,053</td>
<td>4</td>
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<tr>
<td><strong>D. Operations 2</strong></td>
<td>56,076</td>
<td>27</td>
<td>61,161</td>
<td>27</td>
</tr>
<tr>
<td>East and Central Asia Department</td>
<td>25,736</td>
<td>12</td>
<td>28,474</td>
<td>13</td>
</tr>
<tr>
<td>Southeast Asia Department</td>
<td>15,962</td>
<td>8</td>
<td>16,513</td>
<td>7</td>
</tr>
<tr>
<td>Pacific Department</td>
<td>8,551</td>
<td>4</td>
<td>9,737</td>
<td>4</td>
</tr>
<tr>
<td>Central Operations Services Office</td>
<td>5,827</td>
<td>3</td>
<td>6,437</td>
<td>3</td>
</tr>
<tr>
<td><strong>E. Finance &amp; Administration</strong></td>
<td>44,668</td>
<td>22</td>
<td>48,822</td>
<td>22</td>
</tr>
<tr>
<td>Office of the Secretary</td>
<td>2,942</td>
<td>1</td>
<td>3,186</td>
<td>1</td>
</tr>
<tr>
<td>Office of the General Counsel</td>
<td>5,885</td>
<td>3</td>
<td>6,305</td>
<td>3</td>
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<tr>
<td>Budget, Personnel and Management Systems Dept.</td>
<td>7,880</td>
<td>4</td>
<td>8,666</td>
<td>4</td>
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<tr>
<td>Office of Administrative Services</td>
<td>6,983</td>
<td>3</td>
<td>7,491</td>
<td>3</td>
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<tr>
<td>Controller's Department</td>
<td>5,902</td>
<td>3</td>
<td>6,648</td>
<td>3</td>
</tr>
<tr>
<td>Treasurer's Department</td>
<td>6,524</td>
<td>3</td>
<td>7,190</td>
<td>3</td>
</tr>
<tr>
<td>Office of Cofinancing Operations</td>
<td>2,830</td>
<td>1</td>
<td>2,921</td>
<td>1</td>
</tr>
<tr>
<td>Office of Information Systems and Technology</td>
<td>5,742</td>
<td>3</td>
<td>6,315</td>
<td>3</td>
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<tr>
<td><strong>F. Sub-Total</strong></td>
<td>202,579</td>
<td>98</td>
<td>217,498</td>
<td>98</td>
</tr>
<tr>
<td><strong>G. Unassigned</strong></td>
<td>3,413</td>
<td>2</td>
<td>4,423</td>
<td>2</td>
</tr>
<tr>
<td><strong>H. Young Professionals Program</strong></td>
<td>431</td>
<td>-</td>
<td>616</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>206,423</td>
<td>100</td>
<td>222,537</td>
<td>100</td>
</tr>
</tbody>
</table>

*a* Not including operational expenses of the Operations Evaluation Department ($6,231,000) and Office of the Special Project Facilitator ($686,000), which are placed under the budget category of Board of Directors starting from 2005.
## ASIAN DEVELOPMENT BANK

**COMPARISON OF OPERATIONAL EXPENSES BY PROGRAM CATEGORY**

2005 Budget with 2004 Actual

($'000)

<table>
<thead>
<tr>
<th>Program Category</th>
<th>2004&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Percent of Total</th>
<th>2005&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Management</td>
<td>45,631</td>
<td>22</td>
<td>46,447</td>
<td>21</td>
</tr>
<tr>
<td>Loan and Technical Assistance Processing, Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations, Cofinancing and Guarantee Operations</td>
<td>34,596</td>
<td>17</td>
<td>39,050</td>
<td>18</td>
</tr>
<tr>
<td>Country/Regional Strategy and Programming</td>
<td>19,691</td>
<td>10</td>
<td>24,519</td>
<td>11</td>
</tr>
<tr>
<td>Direct Operational Support</td>
<td>21,229</td>
<td>10</td>
<td>23,288</td>
<td>10</td>
</tr>
<tr>
<td>Operations Overhead</td>
<td>23,559</td>
<td>11</td>
<td>21,762</td>
<td>10</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td>18,671</td>
<td>9</td>
<td>19,680</td>
<td>9</td>
</tr>
<tr>
<td>Support Services</td>
<td>43,046</td>
<td>21</td>
<td>47,791</td>
<td>21</td>
</tr>
</tbody>
</table>

**TOTAL**                                               | 206,423          | 100              | 222,537          | 100              |

<sup>a</sup> Not including operational expenses of the Operations Evaluation Department ($30,231,000) and Office of the Special Project Facilitator ($686,000), which are placed under the budget category of Board of Directors starting from 2005.

<sup>b</sup> Recasted to reflect new program category classifications implemented starting from January 2005.
## Appendix 5

### ASIAN DEVELOPMENT BANK INSTITUTE

**COMPARISON OF 2005 BUDGET WITH 2004 BUDGET AND ACTUAL RESULTS ($'000)**

<table>
<thead>
<tr>
<th>Item</th>
<th>2004</th>
<th>2005</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget (A)</td>
<td>Actual (B)</td>
<td>Budget (C)</td>
</tr>
<tr>
<td><strong>I. Program Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>3,650</td>
<td>2,518</td>
<td>3,850</td>
</tr>
<tr>
<td>Capacity Building/Training</td>
<td>2,350</td>
<td>1,415</td>
<td>2,350</td>
</tr>
<tr>
<td></td>
<td>1,300</td>
<td>1,103</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>II. Internal Administrative Expenses</strong></td>
<td>9,396</td>
<td>8,964</td>
<td>10,569</td>
</tr>
<tr>
<td>Advisory Council</td>
<td>67</td>
<td>76</td>
<td>72</td>
</tr>
<tr>
<td>Staff Costs</td>
<td>4,276</td>
<td>4,177</td>
<td>4,925</td>
</tr>
<tr>
<td>Staff Consultants</td>
<td>107</td>
<td>43</td>
<td>98</td>
</tr>
<tr>
<td>Business Travel</td>
<td>296</td>
<td>250</td>
<td>380</td>
</tr>
<tr>
<td>Representation</td>
<td>11</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>4,192</td>
<td>4,417</td>
<td>4,581</td>
</tr>
<tr>
<td>Office occupancy</td>
<td>2,920</td>
<td>3,341</td>
<td>3,022</td>
</tr>
<tr>
<td>Depreciation</td>
<td>235</td>
<td>255</td>
<td>253</td>
</tr>
<tr>
<td>All Others</td>
<td>1,037</td>
<td>821</td>
<td>1,306</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>527</td>
<td>456</td>
<td>681</td>
</tr>
<tr>
<td>Contractual Service</td>
<td>200</td>
<td>153</td>
<td>300</td>
</tr>
<tr>
<td>Library</td>
<td>125</td>
<td>107</td>
<td>136</td>
</tr>
<tr>
<td>Communication</td>
<td>97</td>
<td>62</td>
<td>107</td>
</tr>
<tr>
<td>General Contingency</td>
<td>447</td>
<td>0</td>
<td>503</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,046</td>
<td>11,482</td>
<td>14,419</td>
</tr>
</tbody>
</table>

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### ASIAN DEVELOPMENT BANK INSTITUTE
### DISTRIBUTION OF EXPENSES BY PROGRAM
### ($'000)

<table>
<thead>
<tr>
<th></th>
<th>Capacity Building &amp; Training</th>
<th>Administration &amp; Coordination</th>
<th>Total</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A. Program Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,350</td>
<td>1,500</td>
<td>200(^a)</td>
<td>4,050</td>
<td>28</td>
</tr>
<tr>
<td><strong>B. Program-Related Internal Administrative Expenses</strong></td>
<td>1,733</td>
<td>1,798</td>
<td>1,882</td>
<td>5,413</td>
<td>38</td>
</tr>
<tr>
<td><strong>Operational Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Cost</td>
<td>1,593</td>
<td>1,658</td>
<td>3,251</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Consultants</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Travel</td>
<td>140</td>
<td>140</td>
<td>280</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Cost</td>
<td>1,674</td>
<td>1,674</td>
<td>1,882</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>Staff Consultants</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Travel</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representation</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>4,083(^c)</td>
<td>3,298(^c)</td>
<td>2,082</td>
<td>9,463</td>
<td>66</td>
</tr>
<tr>
<td><strong>C. Other Internal Administrative Expenses(^b)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,956</td>
<td>34</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td>14,419</td>
<td>100</td>
</tr>
</tbody>
</table>

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\(^a\) Public affairs program activities under the Asian Development Journalism Program and website design for administrative management, and coordination.

\(^b\) Excluding operational and general support.

\(^c\) Total program expense is $7.381 million ($4.063 million for research and $3.318 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), recognizing the need for a study of ADB’s resource requirements to finance its ordinary operations, requested the Board of Directors to initiate such a study and to report its findings to the Board of Governors for consideration. Since 2000, an annual report has been submitted to the Board of Governors on the Resources of ADB.1 This report provides a brief update on ADB’s future resource requirements.

2. Recently, Management submitted a review of ADB’s resource position to the Board of Directors.2 The review recapped ADB’s ongoing exercise to examine and update its financial policy framework with the conclusion that ADB’s financial framework is up-to-date and in line with best practices in other multilateral development banks. This enables ADB to commence the formal process of general capital increase (GCI) in an expedited manner, should the Board of Governors decide to initiate such a process.

3. The review analyzed the current and prospective capital adequacy positions of ADB and indicated that ADB’s lending headroom at the end of 2004 was $22.5 billion. This was $2.7 billion higher than the lending headroom at the end of 2003, reflecting the impact of continued prepayment received in 2004 as well as favorable exchange rate movements.

4. The results of the review also indicate that ADB’s lending headroom for 2005–2007 is sufficient to (i) meet any planned level of lending within the indicated range of operational capabilities, (ii) absorb

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1 ADB. 2000. Thirty-Third Annual Meeting: Resources of ADB. Manila;
ADB. 2001. Thirty-Fourth Annual Meeting: Resources of ADB. Manila;
ADB. 2002. Thirty-Fifth Annual Meeting: Resources of ADB. Manila;
ADB. 2003. Thirty-Sixth Annual Meeting: Resources of ADB. Manila;

capital erosion due to exchange rate movements, and (iii) maintain some margin for unutilized lending capacity that ADB can employ to meet unexpected needs.

5. In view of the sufficiency of lending headroom for the operational needs of ordinary capital resources for 2005–2007, consideration of the timing and size of the next GCI could be reassessed in 2006.
REVIEW OF RULES AND REGULATIONS

REPORT OF THE BOARD OF DIRECTORS

(1) AMENDMENTS TO STATUTE OF ADB INSTITUTE

1. On 11 March 2004, the Board of Directors approved (DOC.R33-04) pursuant to Article XI of the Statute of the ADB Institute (Statute) the following amendments to the Statute:

(i) Article V.3(h) of the Statute was amended by inserting the words “trust funds,” immediately before the words “voluntary contributions.” As amended, paragraph 3(h) reads in its entirety:

(h) after consultation with the Bank and subject to the provisions of Article VII below, recommend to the Board of Directors through the President of the Bank to accept on behalf of the Institute trust funds, voluntary contributions, donations and grants to the Institute for the purpose of financing the Institute’s activities and developing its facilities;

(ii) Article VII of the Statute was amended by inserting as paragraph 4(a) a new paragraph, which reads in its entirety:

Notwithstanding the provisions of paragraphs 3 and 4(b) of this Article, the Institute may accept, with the approval of the Board of Directors of the Bank, the administration of trust funds which are consistent with the functions set out in Article III or advance the objectives of the Institute. Such trust funds accepted by the Institute may be used in any manner and on any terms and conditions not inconsistent with the purposes and policies of the Institute or the Bank and with the agreement relating to such trust funds between the Institute and their respective contributors of such trust funds concerned.
The existing paragraph 4 of the Statute was redesignated subparagraph (b).

(iii) Article VIII of the Statute was amended by inserting the word “principal” immediately before the word “office” and adding the following phrase at the end “and may establish, with the approval of the President of the Bank, such facilities, agencies and branches elsewhere as may be necessary”, so that it then reads:

The Institute shall establish its principal office in Tokyo, Japan and may establish, with the approval of the President of the Bank, such facilities, agencies and branches elsewhere as may be necessary.

(2) AMENDMENTS TO SPECIAL OPERATIONS LOAN REGULATIONS

2. On 1 May 2004, the Board of Directors approved revisions to ADB’s Special Operations Loan Regulations (DOC.R57-04). A copy which includes the revisions approved by the Board of Directors is attached hereto as Appendix 1.

(3) AMENDMENTS TO THE REGULATIONS OF THE ASIAN DEVELOPMENT FUND AND ADOPTION OF SPECIAL OPERATIONS GRANT REGULATIONS

3. On 7 February 2005, the Board of Directors approved amendments to the Regulations of the Asian Development Fund (DOC.R56-05). A copy which includes the revisions approved by the Board of Directors is attached hereto as Appendix 2. Also on 7 February 2005, the Board of Directors approved the Special Operations Grant Regulations, which are attached hereto as Appendix 3.

(4) ADOPTION OF ASIAN TSUNAMI FUND TECHNICAL ASSISTANCE GRANT REGULATIONS AND THE ASIAN TSUNAMI FUND GRANT REGULATIONS

4. On 17 February 2005, the Board of Directors approved the Asian Tsunami Fund Technical Assistance Grant Regulations and the Asian
Tsunami Fund Grant Regulations (DOC.R65-05), which are attached hereto as Appendices 4 and 5.

5. The aforementioned revisions to the Statute and Regulations, and the Regulations adopted by the Board of Directors, are presented to the Board of Governors for review in accordance with Section 11 of the By-Laws.
ARTICLE I

Purpose; Application to Loan Agreements and Guarantee Agreements

Section 1.01. **Purpose.** The purpose of these Regulations is to set forth certain terms and conditions generally applicable to loans made by ADB from its Special Funds resources.

Section 1.02. **Application of Regulations.** Any loan agreement with ADB and any guarantee agreement with ADB relating to a loan made by ADB from its Special Funds resources may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided in any such agreement, these Regulations shall apply and shall govern the rights and obligations of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these Regulations shall be effective in respect of any such agreement unless the parties shall so agree in writing.

Section 1.03. **Inconsistency with Loan Agreements and Guarantee Agreements.** If any provision of a loan agreement or guarantee agreement is inconsistent with a provision of these Regulations, the provision of the loan agreement or guarantee agreement, as the case may be, shall govern.

ARTICLE II

Definitions; Interpretation

Section 2.01. **Definitions.** Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or in a loan agreement or guarantee agreement to which these Regulations have been made applicable:
1. “ADB” means Asian Development Bank;

2. “assets” includes property, revenues and claims of any kind;

3. “Borrower” means the party to the Loan Agreement to which ADB has agreed to make the Loan;

4. “convertible currency” means any currency so designated by ADB at any time;

5. “currency” of a country or a territory means such currency as at the time referred to is legal tender for the payment of public and private debts in that country or territory;

6. “Dollar” or the sign “$” each means the lawful currency of the United States of America;

7. “Effective Date” means the date on which the Loan Agreement and the Guarantee Agreement, if any, shall have come into force and effect pursuant to Section 9.03;

8. “external debt” means any debt payable in any medium other than local currency whether such debt is or may become payable absolutely or at the option of the creditor in such other medium;

9. “foreign currency” means any currency other than local currency;

10. “foreign expenditure” means any expenditure other than local expenditure;

11. “guarantee” includes, as the case requires, any counter-guarantee, indemnity or any other arrangement which has the effect of a guarantee, counter-guarantee or indemnity, given by a member in favor, or for the benefit of ADB;

12. “Guarantee Agreement” means the particular guarantee agreement, if any, which provides for the guarantee of the Loan and to which these Regulations shall have been made applicable, as
such agreement may be amended from time to time; and such term includes these Regulations as thus made applicable, all agreements supplementary to the Guarantee Agreement and all schedules to the Guarantee Agreement;

13. “Guarantor” means a party to the Guarantee Agreement which guarantees to ADB the repayment of the Loan and payment of all outstanding amounts under the Loan Agreement;

14. “interest charge” means a charge made on the Loan pursuant to Section 3.02;

15. “lien” includes mortgages, pledge, charges, privileges and priorities of any kind;

16. “Loan” means the loan provided for in the Loan Agreement;

17. “Loan Account” means the account opened or to be opened by ADB on its books in the name of the Borrower to which the amount of the Loan has been or will be credited;

18. “Loan Agreement” means the particular loan agreement to which these Regulations shall have been made applicable, as such agreement may be amended from time to time; and such term includes these Regulations as thus made applicable, all agreements supplementary to the Loan Agreement and all schedules to the Loan Agreement;

19. “Loan Closing Date” means the date specified by ADB that is not later than the first Principal Payment Date shown in the amortization schedule to the Loan Agreement, or such other date as may be agreed between ADB and the Borrower for such purpose;

20. “local currency” means the currency of the member in whose territory the Project is to be carried out;

21. “local expenditure” means expenditure incurred, or to be incurred, in the currency of the member in whose territory the Project is
Appendix 1

to be carried out for goods produced in, and services supplied from, the territory of such member, excluding, however, expenditure on the import content of such goods and services;

22. “member” means a member of ADB;

23. “Principal Payment Date” means each date specified in the Loan Agreement on which all or any portion of the principal amount of the Loan is payable;

24. “Project” means the project or program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as such description may be amended from time to time by agreement between ADB and the Borrower;

25. “Project Agreement” means the project agreement, if any, between ADB and the Project Executing Agency, being the Project Agreement referred to in the Loan Agreement, as such agreement may be amended from time to time; and such term includes all agreements supplementary to the Project Agreement and all schedules to the Project Agreement;

26. “Project Executing Agency” means any entity responsible for the carrying out of the Project as specified in the Loan Agreement;

27. “Special Drawing Right” or “SDR” means a special drawing right as valued by the International Monetary Fund in accordance with its Articles of Agreement;

28. “Special Funds resources” means “Special Funds resources” of ADB as defined in Article 20 of the Articles of Agreement of ADB; and

29. “taxes” includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Loan Agreement or Guarantee Agreement, if any, or thereafter imposed.
Section 2.02. **Interpretation.** Except where the context otherwise requires, (i) a reference to the incurring of debt includes the assumption and guarantee of debt; (ii) references in these Regulations to Articles or Sections are to Articles or Sections of these Regulations; (iii) the headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these Regulations; (iv) singular may include plural and vice versa; and (v) a reference to any gender includes any other gender.

**ARTICLE III**

**Loan Account; Interest Charge; Repayment; Place of Payment**

Section 3.01. **Loan Account.** The principal amount of the Loan shall be credited to the Loan Account and may be withdrawn therefrom in accordance with the provisions of the Loan Agreement and these Regulations.

Section 3.02. **Interest charge.** An interest charge at the rate specified in the Loan Agreement shall be payable on the principal amount of the Loan withdrawn from the Loan Account and outstanding from time to time. The interest charge shall accrue from the respective dates on which amounts shall be withdrawn from the Loan Account. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet interest charge payments, when and if due.

Section 3.03. **Computation of Interest Charge.** The interest charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.04. **Repayment and Prepayment.** (a) The Borrower shall pay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule to the Loan Agreement.
(b) After giving not less than 45 days' written notice to ADB, the Borrower shall have the right to repay in advance of maturity, as of a date acceptable to ADB (provided, that the Borrower shall have paid all amounts due under the Loan Agreement as such date): (i) all of the principal amount of the Loan then outstanding; or (ii) all of the principal amount of any one or more maturities of the Loan.

Section 3.05. **GNP Operational Cutoff.** (a) If ADB shall determine, after due consideration by its Board of Directors, that (i) the Borrower’s gross national product per capita (per capita GNP) has exceeded ADB’s per capita GNP operational cutoff in respect of ADB’s Special Funds resources for five consecutive years, and (ii) the Borrower has achieved the capacity to borrow from ADB’s ordinary capital resources, ADB may, by notice to the Borrower, modify the terms of repayment of the Loan by increasing by 100 percent the amount of each maturity due thereafter until the principal amount of the Loan shall have been fully repaid. However, at the request of the Borrower, ADB may, in lieu of so increasing any such maturity amounts, charge interest, at an annual rate to be agreed between the Borrower and ADB, on the principal amount of the Loan withdrawn and outstanding from time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the above-stated increase of maturity amounts.

(b) If, at any time after a modification of the lending terms pursuant to the provisions of paragraph (a) of this section, ADB shall, after due consideration by its Board of Directors, determine that the Borrower’s economic condition has deteriorated significantly, ADB may, at the request of the Borrower, restore the original lending terms with respect to the remaining amount of the Loan withdrawn and outstanding.

Section 3.06. **Place of Payment.** The principal of, and interest charge on, the Loan shall be paid at such places as ADB shall reasonably request.
ARTICLE IV

Currency Provisions

Section 4.01. Denomination of the Loan. Where the amount of the Loan is expressed in either of the following manners: (a) in Special Drawing Rights, or (b) in various currencies equivalent to an amount in Special Drawing Rights (e.g., “an amount in various currencies equivalent to ___ Special Drawing Rights”), then the Loan shall be deemed to be denominated in the Special Drawing Right.

Section 4.02. Currency of Withdrawal. Except as ADB and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made either in the currencies in which the cost of goods and services to be financed out of the proceeds of the Loan has been paid or is payable, or in such currency or currencies as ADB may from time to time select.

Section 4.03. Currency of Payment of Principal. (a) The principal of the Loan shall be repayable in the currency withdrawn from the Loan Account. The amount repayable in each currency shall be the amount of that currency withdrawn from the Loan Account. For the purposes of this section, if the currency withdrawn from the Loan Account shall have been purchased by ADB with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be deemed to have been withdrawn from the Loan Account in such other currency. Notwithstanding the foregoing provisions of this Section, the Borrower and ADB may agree to substitute gold or any convertible currency as the currency of repayment.

(b) Except as ADB and the Borrower shall otherwise agree, the portion of the Loan to be repaid in any particular currency shall be repayable in such installments as ADB shall from time to time specify, provided that the amount of the Loan to be repaid on each maturity date shall remain as set forth in the amortization schedule to the Loan Agreement.
Section 4.04. **Currency of Payment of Interest Charge.** The interest charge on any portion of the Loan shall be payable in the currency in which the principal of such portion of the Loan is repayable.

Section 4.05. **Purchase of Currencies.** ADB shall, at the request of the Borrower and on such terms and conditions as ADB shall determine, use its best efforts to purchase any currency needed by the Borrower for repayment of principal, and payment of interest charge required under the Loan Agreement upon payment by the Borrower of sufficient funds therefor in a currency or currencies to be specified by ADB from time to time. In purchasing the currencies required, ADB shall be acting as agent of the Borrower and the Borrower shall be deemed to have made any payment required under the Loan Agreement only when and to the extent that ADB has received such payment in the currency or currencies required.

Section 4.06. **Valuation of Currencies.** Whenever it shall be necessary for the purposes of the Loan Agreement or the Guarantee Agreement to determine the value of one currency in terms of another, the value of the Special Drawing Right in terms of a currency, or the value of a currency in terms of the Special Drawing Right, such value shall be as reasonably determined by ADB.

Section 4.07. **Manner of Payment.** (a) Any payment required under the Loan Agreement or the Guarantee Agreement to be made to ADB in the currency of any country shall be made in such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of ADB with a depository of ADB in such country.

(b) Where either the Borrower or the Guarantor is a member, such member shall ensure that the principal of, and the interest charge on, the Loan are paid without restrictions of any kind imposed by, or in the territory of, such member. When neither the Borrower nor the Guarantor is a member, the Borrower shall obtain from the member in whose territory the Project is to be carried out and furnish to ADB,
prior to the Effective Date, evidence, satisfactory to ADB, that the principal of, and the interest charge on, the Loan will be paid without restrictions of any kind imposed by, or in the territory of, such member.

ARTICLE V

Withdrawal of Loan Proceeds

Section 5.01. **Withdrawal from the Loan Account.** (a) Loan proceeds shall be used only for the purposes of the Project. Subject to any conditions or restrictions specified in the Loan Agreement, the Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid, or, if ADB shall so agree, such amounts as shall be required to meet payments to be made, for the reasonable cost of goods, services and any other expenditures required for the Project and to be financed under the Loan Agreement.

(b) Except as ADB and the Borrower shall otherwise agree, no withdrawals shall be made on account of (i) payments made prior to the Effective Date; and (ii) expenditures in the territory of any country which is not a member or for goods produced in, or services supplied from, such territory. ADB may refuse to finance a contract where goods and services have not been procured in accordance with procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 5.02. **Commitment Letters by ADB.** Upon the Borrower’s request, ADB may issue commitment letters to pay amounts in respect of the cost of goods and services to be financed under the Loan notwithstanding any subsequent suspension or cancellation.

Section 5.03. **Application for Withdrawal.** When the Borrower shall desire to withdraw any amount from the Loan Account or to request ADB to issue commitment letters pursuant to Section 5.02, the Borrower
shall promptly deliver to ADB an application in such form and containing such statements, representations, warranties and agreements, as ADB shall reasonably request.

Section 5.04. **Evidence of Authority to Sign Applications.** The Borrower shall furnish to ADB sufficient evidence of the authority of the person authorized to sign applications for withdrawal and the authenticated specimen signature of each person.

Section 5.05. **Supporting Evidence.** The Borrower shall furnish to ADB such documents and other evidence in support of the application for withdrawal as ADB shall reasonably request, whether before or after ADB shall have permitted any withdrawal requested in the application.

Section 5.06. **Sufficiency of Applications and Documents.** Each application for withdrawal and the accompanying documents and all other evidence must be sufficient in form and substance to satisfy ADB that the Borrower is entitled to withdraw from the Loan Account the amount applied for and that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in the Loan Agreement.

Section 5.07. **Payment by ADB.** Payment by ADB of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made to or on the order of the Borrower.

**ARTICLE VI**

**Particular Covenants**

Section 6.01. **Cooperation and Information.** (a) ADB, the Borrower and the Guarantor shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, ADB, the Borrower and the Guarantor shall:
(i) from time to time, at the request of any one of them, exchange views with regard to any matters relating to the progress of the Project, the purposes of the Loan or the maintenance of the service thereof, the performance of their respective obligations under the Loan Agreement and the Guarantee Agreement, the performance by the Project Executing Agency of its obligations under the Project Agreement, and furnish to the other party all such related information as it shall reasonably request; and

(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (a) above. In respect of Loans to a Borrower which is not a member, the Borrower shall promptly inform ADB in advance of any proposed changes in the ownership or control of the Borrower or its assets, or any transaction or arrangement which will have or is likely to have such effect.

(b) Where either the Borrower or the Guarantor is a member, such member shall afford all reasonable opportunity for ADB’s representatives to visit any part of its territory for purposes related to the Loan.

Section 6.02. Negative Pledge. (a) If the Borrower shall create or permit the creation of any lien on any of its assets as security for any foreign currency debt, the Borrower undertakes to expressly provide that such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge on, the Loan. If any statutory lien shall be created on any assets of the Borrower (as hereinafter defined), as security for any foreign currency debt, the Borrower shall grant to ADB an equivalent lien satisfactory to ADB.

(b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price
of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term “assets of the Borrower” as used in paragraph (a) of this Section includes assets of any political subdivision or any agency of the Borrower and assets of any agency of any such political subdivision, and assets of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such political subdivision or agency, including any other institution performing the functions of a central bank for the Borrower.

Section 6.03. **Insurance.** (a) The Borrower shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice. The Borrower shall be deemed to have opted for self-insurance in the absence of any specific insurance for the Project.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 6.04. **Records, Accounts and Audits.** The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the Borrower.
Section 6.05. Reports. (a) The Borrower, and the Guarantor shall furnish, or cause to be furnished, to ADB all such reports as ADB shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project and the Project Executing Agency; (iv) the administration, operations and financial condition of the Borrower; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Borrower shall furnish to ADB quarterly reports, or reports at such other later interval as may be agreed for this purpose between ADB and the Borrower on the execution of the Project, on the accomplishment of the targets and actions agreed between the ADB and the Borrower, and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three months thereafter or such later date as may be agreed for this purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.

Section 6.06. Counterpart Obligations and Land Acquisition. The Borrower shall make available, promptly as and when needed, the funds, facilities, services, land, and other resources as shall be necessary
or required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities. The Borrower shall furnish to ADB, promptly at its request, evidence satisfactory to ADB that such funds, facilities, services, land, and other resources are available for purposes related to the Project.

Section 6.07. **Work Schedules, Plans and Design Standards.** The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. When required by ADB, the Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 6.08. **General Undertakings.** (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable financial, business and development practices.

(b) The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 6.09. **Contractors and Consultants.** Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to the Borrower and ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

Section 6.10. **Maintenance.** The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound operational and maintenance practices. The Borrower shall promptly as needed, make or cause to be made all necessary repairs and renewals thereof.
ARTICLE VII

Exemption from Taxation

Section 7.01. Exemption from Taxation. (a) Where either the Borrower or the Guarantor is a member, such member shall ensure that:

(i) the principal of, and interest charge on the Loan are exempt from, and are paid without deduction for, any taxes levied by, or in the territory of, such member; and

(ii) the Loan Agreement, the Guarantee Agreement, and the Project Agreement, are exempt from any taxes levied by, or in the territory of, such member on or in connection with the execution, delivery or registration thereof.

(b) Where neither the Borrower nor the Guarantor is a member, the Borrower shall obtain from the member in whose territory the Project is to be carried out and furnish to ADB, prior to the Effective Date, evidence, satisfactory to ADB that:

(i) the principal of, and interest charge on, the Loan will be exempt from, and be paid without deduction for, any taxes levied by, or in the territory of, such member; and

(ii) the Loan Agreement, the Guarantee Agreement, and the Project Agreement, will be exempt from any taxes levied by, or in the territory of, such member on or in connection with the execution, delivery or registration thereof.
ARTICLE VIII

Suspension; Cancellation; Acceleration of Maturity

Section 8.01 Suspension by ADB. If any of the following events shall have occurred at any time after the date of the Loan Agreement and be continuing, ADB may by notice to the Borrower and the Guarantor suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account:

(a) The Borrower shall have failed to make payment (notwithstanding the fact that such payment may have been made by the Guarantor or a third party) of principal, interest charge or any other charge required under (i) the Loan Agreement or (ii) any other loan agreement or guarantee agreement with ADB; or (iii) in consequence of any guarantee or other financial obligation of any kind extended by ADB to any third party with the agreement of the Borrower.

(b) The Guarantor shall have failed to make payment of principal, interest charge or any other charge required under (i) the Guarantee Agreement; (ii) any other loan agreement or guarantee agreement with ADB; or (iii) in consequence of any guarantee or other financial obligation of any kind extended by ADB to any third party with the agreement of the Borrower.

(c) The Borrower or the Guarantor shall have failed to perform any other of their respective obligations under the Loan Agreement or the Guarantee Agreement.

(d) The Project Executing Agency shall have failed to perform any of its obligations under the Project Agreement.

(e) ADB shall have suspended in whole or in part the right of the Borrower or the Guarantor to make withdrawals under any other loan agreement with ADB because of a failure
by the Borrower or the Guarantor to perform any of its obligations under such loan agreement or any related guarantee agreement with ADB.

(f) A situation shall have arisen or developed which in the reasonable opinion of ADB will or may make it improbable that the Project can be successfully carried out or that the Borrower, the Guarantor, or the Project Executing Agency will be able to perform any of its obligations under the Loan Agreement, the Guarantee Agreement or the Project Agreement.

(g) The member in whose territory the Project is to be carried out shall have been suspended from membership in, or ceased to be a member of, ADB, or shall have delivered a notice to withdraw from ADB.

(h) A representation made by the Borrower or the Guarantor in or pursuant to the Loan Agreement or the Guarantee Agreement, or any statement furnished in connection therewith and intended to be relied upon by ADB in making the Loan, shall have been incorrect in any material respect, or, where the Borrower is not a member, any material adverse change in the condition of the Borrower as so represented by the Borrower shall have occurred in the reasonable opinion of ADB.

(i) Where the Borrower is not a member, the Borrower shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by the Borrower or by others whereby any of the assets of the Borrower shall or may be distributed among its creditors.

(j) Where the Borrower is not a member, the member in whose territory the Project is to be carried out or any other authority having jurisdiction shall have taken any action for
the dissolution or disestablishment of the Borrower, the alienation or transfer of any of its assets other than in the normal course of business, or for the suspension of its operations.

(k) Any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Project Executing Agency, the alienation or transfer of any of its assets other than in the normal course of business, or for the suspension of its operations.

(l) ADB shall have determined, with respect to any contract to be financed in full or in part out of the proceeds of the Loan, that corrupt or fraudulent practices, as determined by ADB, were engaged in by representatives of the Borrower, the Guarantor, or any beneficiary of the Loan during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Borrower or Guarantor having taken timely and appropriate action satisfactory to ADB to remedy the situation; or ADB shall have determined that the procurement of any goods or services to be financed out of the proceeds of the Loan is inconsistent with the relevant procedure set out in the Loan Agreement.

(m) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred.

The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event which gave rise to such suspension shall have, in the reasonable opinion of ADB, ceased to exist or until ADB shall have notified the Borrower that the right to make withdrawals has been restored in whole or in part, whichever is the earlier.

Section 8.02. Cancellation by ADB. If (i) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended
with respect to any amount of the Loan for a continuous period of 30 days; or (ii) at any time ADB determines, after consultation with the Borrower, that any amount of the Loan will not be required for the purposes of the Project; (iii) by the date specified in the Loan Agreement as the Loan Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account; or (iv) at any time ADB determines, with respect to any contract to be financed in full or in part out of the proceeds of the Loan, that corrupt or fraudulent practices, as determined by ADB, were engaged in by representatives of the Borrower, the Guarantor, or any beneficiary of the Loan during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Borrower or Guarantor having taken timely and appropriate action satisfactory to ADB to remedy the situation; or (v) at any time, ADB determines that the procurement of any goods or services to be financed out of the proceeds of the Loan is inconsistent with the procedure set out in the Loan Agreement, ADB may by notice to the Borrower and the Guarantor terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled.

Section 8.03. Cancellation by the Borrower. After consultation with ADB and with the concurrence of the Guarantor the Borrower may by notice to ADB cancel any amount of the Loan which the Borrower shall not have withdrawn prior to the giving of such notice.

Section 8.04. Amounts Subject to Commitment Letters. No suspension or cancellation shall apply to amounts subject to any commitment letter issued by ADB pursuant to Section 5.02 except as expressly provided in such commitment letter.

Section 8.05. Application of Cancellation. Except as ADB and the Borrower shall otherwise agree, any cancellation shall be applied pro rata to the remaining maturities of the principal amount of the Loan which shall mature after the date of such cancellation.

Section 8.06. Effectiveness of Provisions After Suspension or Cancellation. Notwithstanding any cancellation or suspension, all the
provisions of the Loan Agreement, the Guarantee Agreement and the Project Agreement shall continue in full force and effect except as specifically provided in this Article.

Section 8.07. Acceleration of Maturity. If any of the following events shall have occurred and continued for the period, if any, specified below, then at any subsequent time during the continuance thereof ADB may by notice to the Borrower and the Guarantor declare the principal of the Loan then outstanding, together with all accrued interest charge thereon, to be due and payable immediately, and upon any such declaration such principal and interest charge shall become due and payable immediately:

(a) Any event specified in paragraph (a) or paragraph (b) of Section 8.01 shall have occurred and continued for a period of 30 days.

(b) Any event specified in paragraph (c) or paragraph (d) of Section 8.01 shall have occurred and continued for a period of 60 days after notice thereof shall have been given by ADB to the Borrower and the Guarantor.

(c) Any event specified in paragraph (h), paragraph (i), paragraph (j) or paragraph (k) of Section 8.01 shall have occurred.

(d) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred and continued for the period, if any, specified in the Loan Agreement.

ARTICLE IX

Effectiveness; Termination

Section 9.01. Conditions Precedent to Effectiveness. The Loan Agreement and the Guarantee Agreement shall not become effective until evidence satisfactory to ADB shall have been furnished to ADB that:
Appendix 1

(a) the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary corporate and governmental action;

(b) where there is a Guarantee Agreement, the execution and delivery of the Guarantee Agreement on behalf of the Guarantor have been duly authorized or ratified by all necessary corporate and governmental action;

(c) where there is a Project Agreement, the execution and delivery of the Project Agreement on behalf of the Project Executing Agency shall have been duly authorized or ratified by all necessary corporate, administrative and governmental action;

(d) where the Borrower is not a member, the condition of the Borrower, as represented to ADB at the date of the Loan Agreement, has undergone no material adverse change between such date and the date agreed upon between the Borrower and ADB for the purposes of this Section, provided that ADB shall have requested such evidence;

(e) where neither the Borrower nor the Guarantor, is a member, the requirements of Section 4.07(b) and Section 7.01(b) have been fulfilled; and

(f) all other events specified in the Loan Agreement as additional conditions to its effectiveness have occurred.

Section 9.02. Legal Opinions. As part of the evidence to be furnished pursuant to Section 9.01, the Borrower shall furnish, or cause to be furnished, to ADB an opinion or opinions satisfactory to ADB of counsel acceptable to ADB showing:

(a) on behalf of the Borrower, that the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms;
(b) on behalf of the Guarantor that the Guarantee Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor and is legally binding upon the Guarantor in accordance with its terms;

(c) on behalf of the Project Executing Agency where there is a Project Agreement, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Project Executing Agency and is legally binding upon the Project Executing Agency in accordance with its terms; and

(d) such other matters as shall be specified in the Loan Agreement.

Section 9.03. Effective Date. (a) Except as ADB and the Borrower shall otherwise agree, the Loan Agreement and the Guarantee Agreement shall come into force and effect on the date upon which ADB dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9.01.

(b) If, before the Effective Date, any event shall have occurred which would have entitled ADB to suspend the right of the Borrower to make withdrawals from the Loan Account if the Loan Agreement had been effective, ADB may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event shall have ceased to exist.

Section 9.04. Termination for Failure to Become Effective. If the Loan Agreement shall not have come into force and effect by the date specified in the Loan Agreement for the purposes of this Section, the Loan Agreement and the Guarantee Agreement, and all obligations of the parties thereunder shall terminate, unless ADB, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. ADB shall promptly notify the Borrower and the Guarantor, if any, of such later date.
Section 9.05. **Termination on Full Payment.** If and when the entire principal amount of the Loan withdrawn from the Loan Account and all interest charges which shall have accrued on the Loan shall have been paid, the Loan Agreement and the Guarantee Agreement, and all obligations of the parties thereunder shall forthwith terminate.

**ARTICLE X**

**Enforceability; Failure to Exercise Rights; Arbitration**

Section 10.01. **Enforceability.** (a) The rights and obligations of ADB and the Borrower under the Loan Agreement and of ADB and the Guarantor under the Guarantee Agreement, shall be valid and enforceable in accordance with their terms and, where either the Borrower or the Guarantor is a member, notwithstanding the law of any state, or political subdivision thereof, to the contrary.

(b) Neither ADB nor the Borrower nor the Guarantor shall be entitled in any proceeding under this Article to assert any claim that any provision of the Loan Agreement or the Guarantee Agreement is invalid or unenforceable because of any provision of the Articles of Agreement Establishing the Asian Development Bank or for any other reason.

Section 10.02. **Obligations of the Guarantor.** The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to or demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan; any modification of the provisions of the Loan Agreement contemplated by the terms thereof; or any failure...
of the Borrower to comply with any requirement of any law, regulation or order of the member in whose territory the Project is to be carried out or of any political subdivision or agency of such member.

Section 10.03. **Failure to Exercise Rights.** No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Loan Agreement or Guarantee Agreement upon any default shall impair any such right, power or remedy, or be construed to be a waiver thereof or an acquiescence in any such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 10.04. **Arbitration.** (a) Any controversy between the parties to the Loan Agreement or the parties to the Guarantee Agreement and any claim by any such party against any other such party arising under the Loan Agreement or the Guarantee Agreement which shall not be settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be ADB on the one side, and the Borrower and the Guarantor, on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by ADB; a second arbitrator shall be appointed by the Borrower and the Guarantor or, if they shall not agree, by the Guarantor; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, the Umpire shall appoint such arbitrator. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner.
as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the other party or parties shall notify the party instituting the proceeding of the name of the arbitrator appointed by such other party or parties.

(e) If within 60 days after the giving of the notice instituting the arbitration proceeding the parties shall not have agreed upon an Umpire, any party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The law to be applied by the Arbitral Tribunal shall be public international law, the sources of which shall be taken for these purposes to include:

(i) any relevant treaty obligations that are binding reciprocally on the parties;

(ii) the provisions of any international conventions and treaties (whether or not binding directly as such on the parties) generally recognized as having codified or ripened into binding rules of customary law applicable to states and international institutions, as appropriate;
(iii) other forms of international custom, including the practice of states and international institutions of such generality, consistency and duration as to create legal obligations; and

(iv) applicable general principles of law.

(h) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(i) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Loan Agreement and the Guarantee Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(j) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by ADB on the one side, and the Borrower and the Guarantor on the other side. The Arbitral Tribunal shall determine any question concerning
the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs.

(k) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Loan Agreement and the Guarantee Agreement, and any claim by either party against the other such party arising thereunder.

(l) If within 30 days after the counterparts of the award have been delivered to the parties the award shall not be complied with, any party may enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party, and may enforce such judgment by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Loan Agreement or the Guarantee Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against any party that is a member except as such procedure may be available otherwise than by reason of the provisions of this Section.

(m) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 11.01. The parties to the Loan Agreement and the Guarantee Agreement waive any and all other requirements for the service of any such notice or process.
ARTICLE XI

Miscellaneous Provisions

Section 11.01. Notices and Requests. Any notice or request required or permitted to be given or made under the Loan Agreement or the Guarantee Agreement, and any other agreement between any of the parties contemplated by the Loan Agreement or the Guarantee Agreement, shall be in writing. Except as otherwise provided in Section 9.03 such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or electronic mail to the party to which it is required or permitted to be given or made at such party’s address specified in the Loan Agreement or the Guarantee Agreement or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

Section 11.02. Authority to Take Action. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement or the Guarantee Agreement, on behalf of the Borrower or the Guarantor, as the case may be, may be taken or executed by the representative of the Borrower or the Guarantor designated in the Loan Agreement or the Guarantee Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification of the provisions of the Loan Agreement or the Guarantee Agreement may be agreed to on behalf of the Borrower or the Guarantor, as the case may be, by written instrument executed on behalf of the Borrower or the Guarantor by the representative so designated or any person authorized in writing by such representative; provided that, in the opinion of such representative or other person, such modification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement or of the Guarantor under the Guarantee Agreement, as the case may be. ADB may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative or other person any modification of the provisions of the Loan Agreement or the Guarantee Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower or of the Guarantor thereunder.
Section 11.03. **Evidence of Authority.** The Borrower and the Guarantor shall furnish to ADB sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower or the Guarantor, respectively, take any action or execute any documents required or permitted to be taken or executed by the Borrower under the Loan Agreement or by the Guarantor under the Guarantee Agreement, and the authenticated specimen signature of each such person.

Section 11.04. **Withholding of Payments to Members on Shares.**

(a) If the member in whose territory the Project is to be carried out ceases to be a member of ADB, any amount due to the member for its shares repurchased by ADB shall be withheld so long as the member, its central bank or any of its agencies, instrumentalities or political subdivisions remain liable to ADB under the Loan Agreement or the Guarantee Agreement, or under any other loan agreement or guarantee agreement with ADB, and such amount may, at the option of ADB, be applied on any such liability as it matures.

(b) In the event of a distribution of the assets of ADB, the member in whose territory the Project is to be carried out shall not be entitled to receive its share in such distribution until it has settled all of its obligations to ADB including its obligations under the Loan Agreement or the Guarantee Agreement, or under any other loan agreement or guarantee agreement with ADB.

Section 11.05. **Execution in Counterparts.** The Loan Agreement and the Guarantee Agreement may be executed in several counterparts, each of which shall be an original.
The ASIAN DEVELOPMENT BANK (hereinafter called ADB) is empowered by its Articles of Agreement (hereinafter called the Articles) to establish and administer Special Funds and to carry out special operations financed from such Funds, including the making of loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those established by ADB for its ordinary operations;

The Board of Governors of ADB, by Resolution No. 62, has authorized the establishment of a Special Fund to be known as the ASIAN DEVELOPMENT FUND (hereinafter called the Fund) which is intended to serve as an instrument for carrying out the concessional lending operations of ADB;

The Board of Governors, by Resolution No. 67 and Resolution No. 68, has approved arrangements for the establishment of the Fund and for the initial mobilization of resources in the form of contributions from developed member countries of ADB, and has directed the Board of Directors of ADB to make Regulations to govern the Fund and the administration of its resources;

The Board of Governors has from time to time adopted resolutions authorizing replenishments of the Fund, subject to the terms and conditions contained in the relevant authorizing Resolutions;

The Board of Governors has authorized ADB to provide, in addition to loans, financing in the form of grants for certain types of projects and programs as specified in the relevant authorizing Resolutions;

The Board of Directors, pursuant to the foregoing authority, has adopted the following Regulations for the administration of the Fund and the resources thereof;
ARTICLE I: THE FUND

Section 1.01. Purpose of the Fund

The purpose of the Fund shall be to enable ADB more effectively to carry out its purpose and functions by providing resources on concessional terms for the economic and social development of the developing member countries of ADB, having due regard to the economic situation of such countries and to the needs of the less developed members.

Section 1.02. Application of Regulations

(a) The Fund and the resources thereof shall be governed by, and such resources shall be received, administered, used and disposed of in accordance with, these Regulations, as amended from time to time pursuant to Section 6.01, unless the relevant authorizing Resolution of the Board of Governors provides otherwise.

(b) The Special Funds Rules and Regulations adopted by the Board of Directors on 17 September 1968 shall not apply to the Fund or the resources thereof.

(c) For purposes of these Regulations, a Special Resolution of the Board of Directors is a resolution which is approved by a majority of Directors, representing not less than two-thirds of the total voting power of the members of ADB.

Section 1.03. Administration of the Fund

(a) Subject to the express provisions of these Regulation, the respective functions of the Board of Governors, the Board of Directors, the President and the staff of ADB in carrying out the responsibilities and exercising the powers of ADB
with respect to the Fund, and the procedures to be followed in the exercise of such functions, shall be the same as those which apply in similar circumstances in the ordinary operations of ADB.

(b) The Board of Directors may adopt such guidelines and operating procedures, not inconsistent with these Regulations, as it shall consider necessary or appropriate for the efficient administration of the Fund.

ARTICLE II: RESOURCES OF THE FUND

Section 2.01. Types of Resources

The resources of the Fund shall consist of:

(a) amounts contributed to the Fund as provided in Section 2.02 and Section 2.04;

(b) amounts set aside from the ordinary capital resources of ADB and allocated to the Fund as provided in Section 2.05;

(c) amounts accepted by ADB for the Fund as provided in Section 2.06;

(d) amounts initially allocated to other Special Funds of ADB and transferred to the Fund;

(e) amounts received from borrowers in repayment of loans made from the resources of the Fund;

(f) amounts accruing to the Fund by way of income or otherwise derived from operations of the Fund; and

(g) amounts transferred from ordinary capital resources net in-
come or surplus with the approval of the Board of Governors, as provided in Section 2.07.

Section 2.02. Contributions

(a) Any member of ADB may become a Contributor to the Fund by making a Contribution in such amount as may be specified by an authorizing Resolution of the Board of Governors; provided that no member shall be obligated by reason of such authorizing Resolution to make a Contribution.

(b) Each Contribution shall be made by the member depositing with ADB, in conformity with the relevant authorizing Resolution, an Instrument of Contribution specifying the amount of its Contribution, the manner in which payment thereof will be made to ADB, and such other matters as may be required or permitted by the authorizing Resolution.

(c) By depositing an Instrument of Contribution, the member shall be deemed to accept the application of these Regulations to the resources contributed under such Instrument.

Section 2.03. Payment of Contributions

Except as the Board of Governors in the authorizing Resolution may otherwise determine, each Contribution shall be paid in the currency of the Contributor, and shall be made available to ADB, at the option of the Contributor, either in cash or in notes or similar obligations issued by the Contributor or by the depository of the Contributor designated pursuant to Article 38, paragraph 2, of the Articles. Such notes or obligations shall be non-negotiable, non-interest-bearing and encashable by ADB at par upon demand, as required by ADB for the conduct of the operations of the Fund and to meet liabilities of the Fund.

Section 2.04. Increases in Contributions

(a) A Contributor may at any time, by agreement with ADB, increase the amount of its Contribution.
(b) The Board of Directors shall at appropriate intervals review the resource position of the Fund. If on the basis of such review it appears that a general increase in the amount of Contributions is warranted, the Board of Directors shall make recommendations to the Board of Governors, which may authorize such a general increase upon such terms and conditions as it shall determine.

(c) Except as the Board of Governors in authorizing a general increase under paragraph (b) of this Section 2.04 may otherwise determine, the provisions of the Regulations relating to Contributions shall apply equally to increased amounts contributed as contemplated by this Section 2.04.

Section 2.05. Set-Aside Resources

(a) The Board of Governors may at any time allocate to the Fund resources set aside from the ordinary capital resources of ADB pursuant to the Articles. Set-aside resources shall be used in such manner, not inconsistent with these Regulations, as the Board of Governors in allocating such resources to the Fund may specify.

(b) Nothing in these Regulations shall prevent the making of such adjustments in the amount of set-aside resources held from time to time in the Fund as are necessary to comply with the provisions of Article 25 of the Articles.

Section 2.06. Supplementary Resources

(a) ADB, with the approval of the Board of Directors, may accept Supplementary Resources for the Fund from any member of ADB and, if authorized by a Special Resolution of the Board of Directors, from any non-member government or from any national or international entity, public or private.
(b) Supplementary Resources shall normally be accepted only in a freely convertible currency. Where the donor of such Resources is a government, however, the Board of Directors may agree to accept such Resources in the currency of the donor even if this is not freely convertible, provided that satisfactory assurances are received concerning the application of such Resources of the principles laid down in Section 4.02.

(c) Notwithstanding the provisions of paragraph (b) of Section 4.03, Supplementary Resources accepted from a non-member may be used to finance procurement, in the territories of the donor of such Resources and of all member countries of ADB, of goods produced in and services supplied from such territories.

(d) The other terms and conditions governing ADB’s administration and use of Supplementary Resources shall be consistent with the provisions of these Regulations relating generally to resources of the Fund. For the purposes of Section 5.01, Section 5.03 and Section 6.02, the term “Contributor” shall be deemed to include a donor of Supplementary Resources, and the term “Contribution” shall be deemed to include Supplementary Resources donated by such donor.

Section 2.07. Income and Surplus from Ordinary Capital Resources

After making provision for reserves pursuant to the Articles, the Board of Governors may transfer to the Fund net income or surplus from ordinary capital resources. The net income and surplus so transferred shall be used in such manner, not inconsistent with these Regulations, as the Board of Governors in making such resources available to the Fund may direct.
ARTICLE III: OPERATIONS OF THE FUND

Section 3.01. Methods of Operations

(a) The resources of the Fund may be used by ADB, alone or in combination with any other Special Funds resources of ADB, to provide financing under loans (including technical assistance loans) on concessional terms, for projects and programs of high developmental priority. The term “project” as hereinafter used refers equally to a program.

(b) The resources of the Fund may be used by ADB, alone or in combination with any other Special Funds resources of ADB, to provide financing for grants for projects and programs of high developmental priority, in the event and to the extent that the relevant authorizing Resolution of the Board of Governors provides for such grant financing.

(c) Loans and grants shall be provided principally for specific projects, including those forming part of a national, sub-regional, or regional development program. ADB may also make loans and grants to national development banks and other suitable entities, in order that these entities may finance specific development projects whose individual financing requirements are not, in the opinion of ADB, large enough to warrant the direct supervision of ADB.

(d) Subject to the provisions of these Regulations, the policies and procedures to be applied by ADB in making loans and grants financed from the Fund shall be determined by the Board of Directors, giving particular recognition to the special responsibility of ADB to assist the less developed of its developing member countries.

Section 3.02. Eligible Recipients

Financing may be provided, in accordance with these Regulations, to developing members of ADB, to any agency, instrumentality
or political subdivision of a developing member, or to any entity or enterprise operating in the territory of such a member, as well as to any international, regional or subregional agency or entity concerned with development in the region served by ADB.

**Section 3.03. Commitment Authority**

(a) ADB shall make loan commitments from its resources pursuant to Section 2.01, including commitments based on amounts projected to be received by the Fund as repayments, services charges and investment income, pursuant to such procedures in respect of such commitment authority as the Board of Directors may authorize from time to time.

(b) ADB shall make commitments for grants in accordance with the terms and conditions set forth in the relevant authorizing Resolution of the Board of Governors and pursuant to such procedures in respect of such commitment authority as the Board of Directors may authorize from time to time.

**Section 3.04. Considerations Precedent to Financing**

(a) Before any loan or grant is made, the applicant shall have submitted an adequate proposal and the President shall have presented to the Board of Directors a written report concerning the proposal, together with his recommendations, on the basis of a staff study.

(b) In considering an application for a loan or grant to be financed from the Fund, ADB shall pay due regard

(i) to the ability of the borrower to obtain other financing, including financing from other sources of ADB, on terms and conditions which ADB considers reasonable for the recipient, taking into account all pertinent factors;
(ii) to the relevant self-help measures being taken by the recipient and, where the recipient is not a member of ADB, by both the recipient and the member in whose territory the project is to be carried out;

(iii) for loan applications, to the prospects that the borrower and the guarantor, if any, will be in a position to meet their respective obligations under the loan agreement and the guarantee agreement; and

(iv) to the desirability of avoiding a disproportionate amount of the resources of the Fund being used for the benefit of any particular developing member of ADB.

(c) ADB shall not make a loan or grant unless it is satisfied that the project for which such loan or grant is intended is sound, and that financing the project would thus be consistent with the requirement that ADB shall be guided by sound development banking principles in its operations.

(d) ADB shall not finance any undertaking in the territory of a member of ADB if that member objects to such financing.

Section 3.05. Use of Loan and Grant Proceeds

(a) The proceeds of a loan or grant financed from the Fund shall be drawn upon by the recipient only to meet expenditures in connection with the project as such expenditures are actually incurred; provided that the Board of Directors may decide, in special circumstances, that some reasonable portion of such proceeds may be drawn upon to reimburse past expenditures.

(b) ADB shall take the necessary measures to ensure that the proceeds of each loan or grant are used only for the purposes for which the loan or grant operation was undertaken,
and with due attention to considerations of economy and efficiency.

Section 3.06. Provision of Currencies

(a) In making loans financed from the Fund, ADB shall principally furnish its borrowers with foreign currencies which are required to meet the foreign exchange costs of the projects for which such loans are made. ADB may also provide foreign currencies to meet a reasonable portion of the local expenditures on a project when in the opinion of the Board of Directors this is necessary or appropriate, having regard to the economic position or prospects of the recipient country and to the nature and requirements of the project.

(b) In making grants from the Fund in accordance with the relevant authorizing Resolutions of the Board of Governors, ADB shall provide to recipients of grants under these Regulations United States dollars, or such other currency or currencies as may be determined by the Board of Directors from time to time.

Section 3.07. Procurement Arrangements

Procurement arrangements and procedures to be followed by borrowers shall be determined by the Board of Directors from time to time, having regard in particular to the availability of Contributions for financing such procurement. Such arrangements and procedures shall apply mutatis mutandis for procurement by recipients of grants under these Regulations.

Section 3.08. Other Terms and Conditions of Loans

(a) The grace period and maturities of loans financed from the Fund, and any fees and charges payable in respect thereof, shall be such as the Board of Directors determines to be
appropriate, having regard to the concessional nature of such loans.

(b) The loan agreement shall require the borrower to repay the loan in the currency or currencies disbursed to the borrower, except that where ADB has used another currency to purchase a currency disbursed, repayment shall to that extent be made in such other currency. In either case ADB may agree with the borrower to substitute any convertible currency as the currency of repayment, but only if the Contributor in whose currency repayment would otherwise be made does not object to such substitution.

(c) Where the borrower is not a member of ADB, ADB may, when it deems it advisable, require that the member in whose territory the project is to be carried out, or a public agency or an instrumentality of that member acceptable to ADB, guarantee the repayment of the principal of, and the payment of any fees and charges on, the loan, in accordance with the terms of the loan agreement.

(d) Where the borrower or guarantor is a member of ADB, or the central bank or an agency, instrumentality or political subdivision of a member, the loan or guarantee agreement, as the case may be, shall provide:

(i) that if the member concerned ceases to be a member of ADB, any amount due to it for its shares repurchased by ADB shall be withheld so long as that country, its central bank or any of its agencies, instrumentalities or political subdivisions remains liable to ADB, as recipient or guarantor of a loan made from Special Funds resources of ADB or a loan made in the ordinary operations of ADB, and such amount may, at the option of ADB, be applied on any such liability as it matures; and
Appendix 2

(ii) that in the event of a distribution of the assets of ADB, the member shall not be entitled to receive its share in such distribution until it has settled all of its obligations to ADB.

ARTICLE IV: ADMINISTRATION AND USE OF RESOURCES OF THE FUND

Section 4.01. Separation of Operations

(a) The resources of the Fund shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separate from the ordinary capital resources of ADB.

(b) Under no circumstances shall the ordinary capital resources of ADB be charged with, or used to discharge, losses or liabilities arising out of the operations or other activities for which resources of the Fund were originally used or committed.

(c) No action authorized by the Board of Governors or the Board of Directors in application of Article 10 of the Articles shall be deemed to contravene the provisions of paragraphs (a) or (b) of this Section 4.01.

Section 4.02. Freedom of Resources from Restrictions

Except as otherwise provided in or permitted by these Regulations,

(a) the resources of the Fund shall be freely available for use by ADB in the conduct of the operations of the Fund and to meet liabilities of the Fund; and

(b) currencies paid into the Fund may be used by ADB, without restriction, for payments in any country and to purchase
other currencies as required for the conduct of the operations of the Fund and to meet liabilities of the Fund.

Section 4.03. Use of Resources for Financing Procurement

ADB may draw upon resources of the Fund to finance procurement expenditures under loans and grants in accordance with the following principles:

(a) Contributions may be drawn down by ADB to finance expenditures in the territories of all Contributors and of all developing member countries of ADB, for goods produced in and services supplied from such territories;

(b) Other resources of the Fund, including all amounts received from borrowers in repayment of loans, may be used to finance expenditures in the territories of all member countries of ADB, for goods produced in and services supplied from such territories.

(c) All resources of the Fund shall be available, without restriction, to finance transportation and insurance costs associated with the procurement of goods and services.

Section 4.04. Drawdown of Contributions

As far as practicable, ADB shall draw upon Contributions in such a manner that, over reasonable periods of time, the proportion of all Contributions drawn down, shall be uniform, regardless of whether such Contributions are made available to ADB in cash or in notes.

Section 4.05. Investment

ADB may invest any resources of the Fund which are not immediately required for the conduct of the operations of the Fund or to meet liabilities of the Fund. Except as otherwise authorized by the Board of Directors, such investment shall be made in accordance with the guidelines approved by the Board of Directors for investment of the
ordinary capital resources of ADB, except that Supplementary Resources accepted in the currency of a non-member may be invested in the territories of such non-member.

**Section 4.06. Charging of Administrative Expenses**

The Fund shall bear all administrative expenses appertaining directly to operations financed from the resources of the Fund, and such reasonable share of the other administrative expenses of ADB as the Board of Directors shall from time to time determine. Such expenses shall be charged first to the income of the Fund.

**Section 4.07. Allocation of Net Income**

Net income accruing on the resources of the Fund shall be retained in the Fund; provided that, if authorized by the Board of Governors, a portion of such net income accruing in any year may be transferred from the Fund and applied towards financing the cost of technical assistance provided by ADB on a grant basis.

**Section 4.08. Valuation of Currencies**

Whenever it shall be necessary to determine the value of any currency in terms of another currency or of the unit of account of ADB, the valuation shall be reasonably made by ADB, applying as far as practicable the principles applicable to valuation of currencies forming part of the ordinary capital resources of ADB.

**Section 4.09. Accounts and Audit**

(a) ADB shall maintain accounts of the Fund in accordance with generally accepted sound accounting principles, and shall prepare and submit to the Board of Directors financial statements of the Fund on a quarterly basis.

(b) The accounts of the Fund shall be audited at the close of each financial year by the outside auditors of ADB, and shall
be subject to the same audit requirements by internal and outside auditors of ADB as apply to the accounts of ADB’s ordinary capital resources.

(c) The Board of Directors shall submit to the Board of Governors, for approval at the Annual Meeting of Governors, the audited financial statements of the Fund for the previous financial year, including a balance sheet and a statement of income and expenditure.

Section 4.10. Reports

(a) ADB shall include in its Annual Reports a separate section in respect of the Fund, containing appropriate information on the resources of the Fund and on projects financed from the Fund.

(b) ADB shall report periodically to each Contributor on the current status and anticipated use of its Contribution, and shall provide such other information regarding its administration of the Contribution as the Contributor may reasonably request.

ARTICLE V: WITHDRAWAL AND TERMINATION

Section 5.01. Withdrawal

(a) A Contributor may at any time, after consultation with ADB, withdraw from the Fund by delivering a written withdrawal notice to ADB at its principal office. Withdrawal shall become effective at the end of the calendar quarter following the quarter in which the withdrawal notice is received by ADB, or on such later quarterly date as may be specified in such notice.

(b) As from the date of withdrawal, the Contributor shall have no rights under these Regulations except those set forth in this Section 5.01 and in Section 6.02, and shall be relieved
of any further liability to pay to ADB any amounts of its Contribution not paid in at the date of withdrawal except such amounts as, in the opinion of ADB, will be required to meet commitments under loans or grants made by ADB as of that date.

(c) Upon withdrawal, ADB shall proceed to a settlement of accounts with the Contributor on the basis of the following principles:

(i) As used in the following sub-paragraphs, the term “existing loans” means loans made by ADB from resources of the Fund as of the date of withdrawal; the term “total net assets” means total net assets of the Fund, including principal amounts outstanding under existing loans, as shown in the books of ADB as of the date of withdrawal; and the term “surplus assets” means such part of the total net assets as, in the opinion of ADB, will not be required to meet commitments under existing loans.

(ii) ADB shall determine the Contributor’s share in the Fund, the amount of which shall be such proportion of the total net assets, after deducting accruals, as the paid-in amount of the Contributor’s Contribution at the date of withdrawal bears to the aggregate amount of all paid-in Contributions, set-aside resources and net income and surplus from ordinary capital resources transferred to the Fund; provided that if the Contributor’s Contribution comprises or includes capital transferred from the Multi-Purpose Special Fund as contemplated in Section 7.03, the Contributor may, in special circumstances relating to the terms on which such capital was originally made available to the Multi-Purpose Special Fund, require that its share be increased by not more than an amount bearing the same proportion to the total of (A) all accumulated net
income retained in the Fund and (B) any portions of net income transferred from the Fund pursuant to Section 4.07, as the capital so transferred bears to the aggregate amount of all paid-in Contributions and of set-aside resources. Such share shall be subsequently adjusted as necessary to take account of any amounts paid into the Fund after the date of withdrawal which are required to meet commitments under existing loans.

(iii) A portion of the Contributor’s share bearing the same proportion to the whole as the amount of the surplus assets bears to the total net assets shall be paid by ADB to the Contributor, within a reasonable time after withdrawal, from the surplus assets. In making such payment, ADB shall draw first upon such of the surplus assets as have been paid into the Fund (in cash or in notes) by the Contributor.

(iv) The balance of the Contributor’s share shall be paid by ADB to the Contributor, in installments not more frequent than every six months, from amounts allocated by ADB for the purpose from the proceeds of principal repayments and cancellations occurring under existing loans after the date of withdrawal. Unless the Board of Directors otherwise determines, such allocations shall be made pro rata from each repayment and cancellation, as and when such repayment is received and cancellation made.

(v) In no event shall total payments made to the Contributor hereunder exceed the total amount paid into the Fund by the Contributor, except to the extent and in the circumstances contemplated in the proviso in subparagraph (ii) above.

(d) All calculations, determinations and allocations required for purposes of paragraph (c) of this Section 5.01 shall be made
on such basis, consistent with the principles set out in that paragraph, as ADB shall reasonably determine. For purposes of such calculations, determinations and allocations, amounts committed or expended as grants in accordance with these Regulations shall not be considered as portion of a Contributor’s share.

Section 5.02. Termination

(a) The Board of Governors may, after consultation between ADB and the Contributors, decide to terminate the Fund.

(b) The Fund shall terminate automatically upon termination by ADB of its operations pursuant to Article 45 of the Articles.

Section 5.03. Disposal of Resources on Termination

Upon termination of the Fund, the following provisions shall apply with respect to the resources of the Fund:

(a) ADB shall forthwith cease all activities relating to such resources, except those incident to the orderly realization, conservation and preservation of such resources and the settlement of the direct or contingent obligations to which they may be subject.

(b) Subject to paragraph (c) of this Section 5.03, ADB shall distribute the net assets of the Fund among Contributors and ADB in proportion to the amounts respectively made available by them to the Fund as Contributions, as set-aside resources and as net income and surplus from ordinary capital resources transferred to the Fund. Such distribution shall be effected at such times, in such currencies and in such types of assets as ADB shall deem fair and equitable. Distribution need not be uniform as to type of asset or as to currency.
(c) No distribution shall be made until all liabilities to creditors (including liabilities to ADB in respect of administrative expenses) shall have been discharged or provided for, and until the Board of Directors shall have decided that such distribution should be made; provided that a Contributor whose Contribution comprises or includes capital transferred from the Multi-Purpose Special Fund may, in special circumstances relating to the terms on which such capital was originally made available to the Multi-Purpose Special Fund, require that the amount to be distributed to it in respect of that part of its Contribution be determined as if the net assets of the Fund included net income transferred from the Fund pursuant to Section 4.07, and the amounts of all other distributions shall be adjusted accordingly. Any distribution to a Contributor shall be subject to prior settlement of all outstanding claims by ADB against such Contributor in respect of its Contribution.

(d) Until final distribution of the assets of the Fund, all rights and obligations of ADB and of Contributors under these Regulations shall continue unimpaired, except that no Contributor may withdraw after the date of termination.

ARTICLE VI: AMENDMENTS; ARBITRATION

Section 6.01. Amendments

These Regulations may be amended, after consultation between ADB and the Contributors, by Special Resolution of the Board of Directors; provided that the prior consent in writing of every Contributor shall be required before the coming into effect of any amendment modifying

(a) the provisions of Section 3.01(a), which specify the manner in which ADB may use the resources of the Fund in its operations;
(b) a Contributor’s right under Section 3.08(b) to object to substitution of a currency of repayment;

(c) the provisions on use and drawdown of Contributions contained in Section 4.03 and Section 4.04;

(d) the provisions on charging of administrative expenses contained in Section 4.06;

(e) the rights of a Contributor upon withdrawal from the Fund under Section 5.01, and upon termination of the Fund under Section 5.03; and

(f) the arbitration procedure provided in Section 6.02.

**Section 6.02. Arbitration**

If a dispute outside the scope of Article 60 of the Articles should arise between ADB and a Contributor concerning any matter arising out of or in connection with the Contribution of that Contributor, and such dispute cannot be settled by consultation between the parties, the dispute shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by ADB, another by the Contributor, and the third, unless the parties otherwise agree, by the President of the International Court of Justice, or such other authority as may have been prescribed by regulations adopted by the Board of Governors for the purposes of Article 61 of the Articles. A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding upon the parties. The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.
ARTICLE VII: EFFECTIVENESS; TRANSITIONAL PROVISIONS

Section 7.01. Effectiveness of Regulations

These Regulations shall become effective forthwith upon the establishment of the Fund.

Section 7.02. Application of Preceding Governors’ Resolutions

(a) For purposes of these Regulations, Resolution No. 67 and Resolution No. 68 of the Board of Governors shall be deemed to be Resolutions contemplated by Section 2.02 and Section 2.04, respectively.

(b) Notwithstanding the provisions of Section 4.03, the Board of Directors, acting under the authority of Resolution No. 67, may accept a procurement restriction upon the initial use of part or all of a Contribution made as contemplated in such Resolution. If the whole of a Contribution, or the balance thereof remaining unused at any time, is subject to such restriction, the concerned Contributor shall not be deemed to be a Contributor for the purposes of paragraph (a) of Section 4.03. Any such restriction shall be subject to periodic review by, and consultation with, ADB.

Section 7.03. Transfers from Multi-Purpose Fund

(a) ADB shall transfer to the Fund, pursuant to the provisions of paragraph 8 of Resolution No. 67 of the Board of Governors, amounts initially contributed to the Multi-Purpose Special Fund of ADB which have been the subject of a crediting declaration as provided in such paragraph.

(b) ADB may arrange for other amounts contributed to the Multi-Purpose Special Fund, including amounts drawn down under loans, to be reallocated and transferred to the Fund
as soon as possible after its establishment. Amounts so
reallocated shall be consolidated with and accounted for
as part of the Contribution (if any) made by the same
Contributor to the Fund, and otherwise shall be deemed
to be Supplementary Resources until such time as the
Contributor makes its initial Contribution to the Fund.

(c) The Board of Governors may authorize the reallocation and
transfer to the Fund of set-aside resources initially allocated
to the Multi-Purpose Special Fund.

(d) As from the date of transfer, all amounts transferred as con-
templated in this Section shall constitute or form part of
Contributions, set-aside resources or Supplementary Re-
sources under these Regulations as the case may be, and
the use, administration and disposition of such amounts shall
be governed by these Regulations accordingly. Portions
thereof outstanding under loans shall become receivables
of the Fund. Liabilities to which such amounts were sub-
ject at the date of transfer shall become liabilities of the Fund.
ARTICLE I

Purpose; Application to Grant Agreements

Section 1.01. Purpose. The purpose of these Regulations is to set forth certain terms and conditions generally applicable to grants for projects and programs of high development priority made by ADB from its Special Funds resources.

Section 1.02. Application of Regulations. Any grant agreement with ADB relating to a grant made by ADB from its Special Funds resources may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided in any such agreement, these Regulations shall apply and shall govern the rights and obligations of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these Regulations shall be effective in respect of any such agreement unless the parties shall so agree in writing.

Section 1.03. Inconsistency with Grant Agreement. If any provision of a grant agreement is inconsistent with a provision of these Regulations, the provision of the grant agreement shall govern.

ARTICLE II

Definitions; Interpretation

Section 2.01. Definitions. Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or in a grant agreement to which these Regulations have been made applicable:
Appendix 3

1. “ADB” means Asian Development Bank;

2. “assets” includes property, revenues and claims of any kind;

3. “currency” of a country or a territory means such currency as at the time referred to is legal tender for the payment of public and private debts in that country or territory;

4. “Dollar” or the sign “$” each means the lawful currency of the United States of America;

5. “Effective Date” means the date on which the Grant Agreement shall have come into force and effect pursuant to Section 9.03;

6. “foreign currency” means any currency other than local currency;

7. “foreign expenditure” means any expenditure other than local expenditure;

8. “Grant” means the grant provided for in the Grant Agreement for projects and programs of high development priority;

9. “Grant Account” means the account opened or to be opened by ADB on its books in the name of the Recipient to which the amount of the Grant has been or will be credited;

10. “Grant Agreement” means the particular grant agreement to which these Regulations shall have been made applicable, as such agreement may be amended from time to time; and such term includes these Regulations as thus made applicable, all agreements supplementary to the Grant Agreement and all schedules to the Grant Agreement;

11. “Grant Closing Date” means the date specified in the Grant Agreement, after which ADB may terminate the right of the Recipient to make any withdrawals from the Grant Account, or such other date as may be agreed between ADB and the Recipient for such purpose;
12. “local currency” means the currency of the member in whose territory the Project is to be carried out;

13. “local expenditure” means expenditure incurred, or to be incurred, in the currency of the member in whose territory the Project is to be carried out for goods produced in, and services supplied from, the territory of such member, excluding, however, expenditure on the import content of such goods and services;

14. “member” means a member of ADB;

15. “Project” means the project or program for which ADB has agreed to make the Grant, as described in the Grant Agreement and as such description may be amended from time to time by agreement between ADB and the Recipient;

16. “Project Agreement” means the project agreement, if any, between ADB and the Project Executing Agency, being the Project Agreement referred to in the Grant Agreement, as such agreement may be amended from time to time; and such term includes all agreements supplementary to the Project Agreement and all schedules to the Project Agreement;

17. “Project Executing Agency” means any entity responsible for the carrying out of the Project as specified in the Grant Agreement;

18. “Recipient” means the party to the Grant Agreement to which ADB has agreed to provide the Grant;

19. “Special Funds resources” means “Special Funds resources” of ADB as defined in Article 20 of the Articles of Agreement of ADB; and

20. “taxes” includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Grant Agreement or thereafter imposed.
Section 2.02. **Interpretation.** Except where the context otherwise requires, (i) references in these Regulations to Articles or Sections are to Articles or Sections of these Regulations; (ii) the headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these Regulations; (iii) singular may include plural and vice versa; and (iv) a reference to any gender includes any other gender.

**ARTICLE III**

**Grant Account**

Section 3.01. **Grant Account.** The principal amount of the Grant shall be credited to the Grant Account and may be withdrawn therefrom in accordance with the provisions of the Grant Agreement and these Regulations.

**ARTICLE IV**

**Currency Provisions**

Section 4.01. **Denomination of the Grant.** Except as the Board of Directors may otherwise determine, the Grant shall be denominated in Dollar.

Section 4.02. **Currency of Withdrawal and Purchase of Currencies.** Except as ADB and the Recipient shall otherwise agree, withdrawals from the Grant Account shall be made in the currency in which the Grant is denominated. ADB shall, at the request and acting as agent of the Recipient, use such currency to purchase the currencies in which the cost of goods and services to be financed out of the proceeds of the Grant has been paid or is payable.
ARTICLE V

Withdrawal of Grant Proceeds

Section 5.01. Withdrawal from the Grant Account. (a) Grant proceeds shall be used only for the purposes of the Project. Subject to any conditions or restrictions specified in the Grant Agreement, the Recipient shall be entitled to withdraw from the Grant Account such amounts as shall have been paid, or, if ADB shall so agree, such amounts as shall be required to meet payments to be made, for the reasonable cost of goods, services and any other expenditures required for the Project and to be financed under the Grant Agreement.

(b) Except as ADB and the Recipient shall otherwise agree, no withdrawals shall be made on account of (i) payments made prior to the Effective Date; and (ii) expenditures in the territory of any country which is not a member or for goods produced in, or services supplied from, such territory. ADB may refuse to finance a contract where goods and services have not been procured in accordance with procedures substantially in accordance with those agreed between the Recipient and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 5.02. Commitment Letters by ADB. Upon the Recipient’s request, ADB may issue commitment letters to pay amounts in respect of the cost of goods and services to be financed under the Grant notwithstanding any subsequent suspension or cancellation.

Section 5.03. Application for Withdrawal. When the Recipient shall desire to withdraw any amount from the Grant Account or to request ADB to issue commitment letters pursuant to Section 5.02, the Recipient shall promptly deliver to ADB an application in such form and containing such statements, representations, warranties and agreements, as ADB shall reasonably request.

Section 5.04. Evidence of Authority to Sign Applications. The Recipient shall furnish to ADB sufficient evidence of the authority of the
person authorized to sign applications for withdrawal and the authenticated specimen signature of each person.

Section 5.05. **Supporting Evidence.** The Recipient shall furnish to ADB such documents and other evidence in support of the application for withdrawal as ADB shall reasonably request, whether before or after ADB shall have permitted any withdrawal requested in the application.

Section 5.06. **Sufficiency of Applications and Documents.** Each application for withdrawal and the accompanying documents and all other evidence must be sufficient in form and substance to satisfy ADB that the Recipient is entitled to withdraw from the Grant Account the amount applied for and that the amount to be withdrawn from the Grant Account is to be used only for the purposes specified in the Grant Agreement.

Section 5.07. **Payment by ADB.** Payment by ADB of amounts which the Recipient is entitled to withdraw from the Grant Account shall be made to or on the order of the Recipient.

**ARTICLE VI**

**Particular Covenants**

Section 6.01. **Cooperation and Information.** (a) ADB and the Recipient shall cooperate fully to ensure that the purposes of the Grant will be accomplished. To that end, ADB and the Recipient shall:

(i) from time to time, at the request of either one of them, exchange views with regard to any matters relating to the progress of the Project, the purposes of the Grant, the performance of their respective obligations under the Grant Agreement and the performance by the Project Executing Agency of its obligations under the Project Agreement, and furnish to the other party all such related information as it shall reasonably request; and
(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (a)(i) above. In respect of Grants to a Recipient which is not a member, the Recipient shall promptly inform ADB in advance of any proposed changes in the ownership or control of the Recipient or its assets, or any transaction or arrangement which will have or is likely to have such effect.

(b) Where the Recipient is a member, such member shall afford all reasonable opportunity for ADB’s representatives to visit any part of its territory for purposes related to the Grant.

Section 6.02. Insurance. (a) The Recipient shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice. The Recipient shall be deemed to have opted for self-insurance in the absence of any specific insurance for the Project.

(b) Without limiting the generality of the foregoing, the Recipient undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 6.03. Records, Accounts and Audits. The Recipient shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Grant, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the Recipient.
Section 6.04. **Reports.** (a) The Recipient shall furnish, or cause to be furnished, to ADB all such reports as ADB shall reasonably request concerning (i) the Grant, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Grant; (iii) the Project and the Project Executing Agency; (iv) the administration and operations of the Recipient; and (v) any other matters relating to the purposes of the Grant.

(b) Without limiting the generality of the foregoing, the Recipient shall furnish to ADB quarterly reports, or reports at such other later interval as may be agreed for this purpose between ADB and the Recipient on the execution of the Project, on the accomplishment of the targets and actions agreed between the ADB and the Recipient, and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three months thereafter or such later date as may be agreed for this purpose between the Recipient and ADB, the Recipient shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Recipient of its obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.

Section 6.05. **Counterpart Obligations and Land Acquisition.** The Recipient shall make available, promptly as and when needed, the funds, facilities, services, land, and other resources as shall be necessary or required, in addition to the proceeds of the Grant, for the carrying
out of the Project and for the operation and maintenance of the Project facilities. The Recipient shall furnish to ADB, promptly at its request, evidence satisfactory to ADB that such funds, facilities, services, land, and other resources are available for purposes related to the Project.

Section 6.06. **Work Schedules, Plans and Design Standards.** The Recipient shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Recipient and ADB, as applicable. When required by ADB, the Recipient shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 6.07. **General Undertakings.** (a) The Recipient shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable financial, business and development practices.

(b) The Recipient shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 6.08. **Contractors and Consultants.** Whenever applicable, in the carrying out of the Project, the Recipient shall cause competent and qualified consultants and contractors, acceptable to the Recipient and ADB, to be employed to an extent and upon terms and conditions satisfactory to the Recipient and ADB.

Section 6.09. **Maintenance.** The Recipient shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound operational and maintenance practices. The Recipient shall promptly as needed, make or cause to be made all necessary repairs and renewals thereof.
ARTICLE VII

Exemption from Taxation

Section 7.01. Exemption from Taxation. (a) Where the Recipient is a member, such member shall ensure that the Grant Agreement and the Project Agreement, are exempt from any taxes levied by, or in the territory of, such member on or in connection with the execution, delivery or registration thereof.

(b) Where the Recipient is not a member, the Recipient shall obtain from the member, in whose territory the Project is to be carried out, and furnish to ADB, prior to the Effective Date, evidence, satisfactory to ADB, that the Grant Agreement and the Project Agreement, will be exempt from any taxes levied by, or in the territory of, such member on or in connection with the execution, delivery or registration thereof.

ARTICLE VIII

Suspension and Cancellation

Section 8.01. Suspension by ADB. If any of the following events shall have occurred at any time after the date of the Grant Agreement and be continuing, ADB may by notice to the Recipient suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account:

(a) The Recipient shall have failed to make payment of principal, interest charge or any other charge required under (i) any loan agreement or guarantee agreement with ADB; or (ii) in consequence of any guarantee or other financial obligation of any kind extended by ADB to any third party with the agreement of the Recipient.
(b) The Recipient shall have failed to perform any of its obligations under the Grant Agreement.

(c) The Project Executing Agency shall have failed to perform any of its obligations under the Project Agreement.

(d) ADB shall have suspended in whole or in part the right of the Recipient to make withdrawals under any other grant agreement or any loan agreement with ADB because of a failure by the Recipient to perform any of its obligations under such grant agreement or loan agreement or any related guarantee agreement with ADB.

(e) A situation shall have arisen or developed which in the reasonable opinion of ADB will or may make it improbable that the Project can be successfully carried out or that the Recipient or the Project Executing Agency will be able to perform any of its obligations under the Grant Agreement or the Project Agreement.

(f) The member in whose territory the Project is to be carried out shall have been suspended from membership in, or ceased to be a member of, ADB, or shall have delivered a notice to withdraw from ADB.

(g) A representation made by the Recipient in or pursuant to the Grant Agreement or any statement furnished in connection therewith and intended to be relied upon by ADB in making the Grant, shall have been incorrect in any material respect, or, where the Recipient is not a member, any material adverse change in the condition of the Recipient as so represented by the Recipient shall have occurred in the reasonable opinion of ADB.

(h) Where the Recipient is not a member, the member in whose territory the Project is to be carried out or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Recipient, the
alienation or transfer of any of its assets other than in the normal course of business, or for the suspension of its operations.

(i) Any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Project Executing Agency, the alienation or transfer of any of its assets other than in the normal course of business, or for the suspension of its operations.

(j) ADB shall have determined, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices, as determined by ADB, were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to ADB to remedy the situation; or ADB shall have determined that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent with the relevant procedure set out in the Grant Agreement.

(k) Any other event specified in the Grant Agreement for the purposes of this Section shall have occurred.

The right of the Recipient to make withdrawals from the Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event which gave rise to such suspension shall have, in the reasonable opinion of ADB, ceased to exist or until ADB shall have notified the Recipient that the right to make withdrawals has been restored in whole or in part, whichever is the earlier.

Section 8.02. Cancellation by ADB. If (i) the right of the Recipient to make withdrawals from the Grant Account shall have been suspended with respect to any amount of the Grant for a continuous period of 30 days; or (ii) at any time ADB determines, after consultation with the Recipient, that any amount of the Grant will not be required for the
purposes of the Project; (iii) by the date specified in the Grant Agreement as the Grant Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account; or (iv) at any time ADB determines, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices, as determined by ADB, were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to ADB to remedy the situation; or (v) at any time, ADB determines that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent with the procedure set out in the Grant Agreement, ADB may by notice to the Recipient terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Grant shall be cancelled.

Section 8.03. Cancellation by the Recipient. After consultation with ADB, the Recipient may by notice to ADB cancel any amount of the Grant which the Recipient shall not have withdrawn prior to the giving of such notice.

Section 8.04. Amounts Subject to Commitment Letters. No suspension or cancellation shall apply to amounts subject to any commitment letter issued by ADB pursuant to Section 5.02 except as expressly provided in such commitment letter.

Section 8.05. Effectiveness of Provisions After Suspension or Cancellation. Notwithstanding any cancellation or suspension, all the provisions of the Grant Agreement and the Project Agreement shall continue in full force and effect except as specifically provided in this Article.
ARTICLE IX

Effectiveness; Termination

Section 9.01. Conditions Precedent to Effectiveness. The Grant Agreement shall not become effective until evidence satisfactory to ADB shall have been furnished to ADB that:

(a) the execution and delivery of the Grant Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary corporate and governmental action;

(b) where there is a Project Agreement, the execution and delivery of the Project Agreement on behalf of the Project Executing Agency shall have been duly authorized or ratified by all necessary corporate, administrative and governmental action;

(c) where the Recipient is not a member, the condition of the Recipient, as represented to ADB at the date of the Grant Agreement, has undergone no material adverse change between such date and the date agreed upon between the Recipient and ADB for the purposes of this Section, provided that ADB shall have requested such evidence;

(d) where the Recipient, is not a member, the requirements Section 7.01(b) have been fulfilled; and

(e) all other events specified in the Grant Agreement as additional conditions to its effectiveness have occurred.

Section 9.02. Legal Opinions. As part of the evidence to be furnished pursuant to Section 9.01, the Recipient shall furnish, or cause to be furnished, to ADB an opinion or opinions satisfactory to ADB of counsel acceptable to ADB showing:

(a) on behalf of the Recipient, that the Grant Agreement has been duly authorized or ratified by, and executed and
delivered on behalf of, the Recipient and is legally binding
upon the Recipient in accordance with its terms;

(b) on behalf of the Project Executing Agency where there is
a Project Agreement, that the Project Agreement has been
duly authorized or ratified by, and executed and delivered
on behalf of, the Project Executing Agency and is legally
binding upon the Project Executing Agency in accordance
with its terms; and

(c) such other matters as shall be specified in the Grant Agree-
ment.

Section 9.03. Effective Date. (a) Except as ADB and the Recipient
shall otherwise agree, the Grant Agreement shall come into force and
effect on the date upon which ADB dispatches to the Recipient notice
of its acceptance of the evidence required by Section 9.01.

(b) If, before the Effective Date, any event shall have occurred
which would have entitled ADB to suspend the right of the
Recipient to make withdrawals from the Grant Account if
the Grant Agreement had been effective, ADB may post-
pone the dispatch of the notice referred to in paragraph (a)
of this Section until such event shall have ceased to exist.

Section 9.04. Termination for Failure to Become Effective. If
the Grant Agreement shall not have come into force and effect by the
date specified in the Grant Agreement for the purposes of this Section,
the Grant Agreement and all obligations of the parties thereunder shall
terminate, unless ADB, after consideration of the reasons for the delay,
shall establish a later date for the purposes of this Section. ADB shall
promptly notify the Recipient of such later date.
ARTICLE X

Enforceability; Failure to Exercise Rights; Arbitration

Section 10.01. **Enforceability.** (a) The rights and obligations of ADB and the Recipient under the Grant Agreement shall be valid and enforceable in accordance with their terms and, where the Recipient is a member, notwithstanding the law of any state, or political subdivision thereof, to the contrary.

(b) Neither ADB nor the Recipient shall be entitled in any proceeding under this Article to assert any claim that any provision of the Grant Agreement is invalid or unenforceable because of any provision of the Articles of Agreement Establishing the Asian Development Bank or for any other reason.

Section 10.02. **Failure to Exercise Rights.** No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Grant Agreement upon any default shall impair any such right, power or remedy, or be construed to be a waiver thereof or an acquiescence in any such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 10.03. **Arbitration.** (a) Any controversy between the parties to the Grant Agreement and any claim by any such party against any other such party arising under the Grant Agreement which shall not be settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be ADB on the one side, and the Recipient on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by ADB; a second arbitrator shall be appointed by the Recipient; and
the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, the Umpire shall appoint such arbitrator. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the other party or parties shall notify the party instituting the proceeding of the name of the arbitrator appointed by such other party or parties.

(e) If within 60 days after the giving of the notice instituting the arbitration proceeding the parties shall not have agreed upon an Umpire, any party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The law to be applied by the Arbitral Tribunal shall be public international law, the sources of which shall be taken for these purposes to include:
(i) any relevant treaty obligations that are binding reciprocally on the parties;

(ii) the provisions of any international conventions and treaties (whether or not binding directly as such on the parties) generally recognized as having codified or ripened into binding rules of customary law applicable to states and international institutions, as appropriate;

(iii) other forms of international custom, including the practice of states and international institutions of such generality, consistency and duration as to create legal obligations; and

(iv) applicable general principles of law.

(h) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(i) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Grant Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(j) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall
not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by ADB on the one side, and the Recipient on the other side. The Arbitral Tribunal shall determine any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs.

(k) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Grant Agreement, and any claim by either party against the other such party arising thereunder.

(l) If within 30 days after the counterparts of the award have been delivered to the parties the award shall not be complied with, any party may enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party, and may enforce such judgment by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against any party that is a member except as such procedure may be available otherwise than by reason of the provisions of this Section.

(m) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 11.01. The parties to the Grant Agreement waive any and all other requirements for the service of any such notice or process.
ARTICLE XI

Miscellaneous Provisions

Section 11.01. Notices and Requests. Any notice or request required or permitted to be given or made under the Grant Agreement, and any other agreement between any of the parties contemplated by the Grant Agreement, shall be in writing. Except as otherwise provided in Section 9.03 such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or electronic mail to the party to which it is required or permitted to be given or made at such party’s address specified in the Grant Agreement or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

Section 11.02. Authority to Take Action. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Grant Agreement, on behalf of the Recipient, may be taken or executed by the representative of the Recipient designated in the Grant Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification of the provisions of the Grant Agreement may be agreed to on behalf of the Recipient, by written instrument executed on behalf of the Recipient by the representative so designated or any person authorized in writing by such representative; provided that, in the opinion of such representative or other person, such modification is reasonable in the circumstances and will not substantially increase the obligations of the Recipient under the Grant Agreement. ADB may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative or other person any modification of the provisions of the Grant Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.
Section 11.03. Evidence of Authority. The Recipient shall furnish to ADB sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any action or execute any documents required or permitted to be taken or executed by the Recipient under the Grant Agreement and the authenticated specimen signature of each such person.

Section 11.04. Execution in Counterparts. The Grant Agreement may be executed in several counterparts, each of which shall be an original.
ASIAN TSUNAMI FUND TECHNICAL ASSISTANCE GRANT REGULATIONS

DATED 17 February 2005

ARTICLE I

Application to Technical Assistance Grants

Section 1.01. Purpose. The purpose of these Regulations is to set forth certain terms and conditions generally applicable to grants for technical assistance and related operational activities of ADB provided from the Asian Tsunami Fund.

Section 1.02. Application of Regulations. Any technical assistance agreement with ADB financed by a grant made from the Asian Tsunami Fund may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided in any such agreement, these Regulations shall apply and shall govern the rights and obligations of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these Regulations shall be effective in respect of any such agreement unless the parties shall so agree in writing.

Section 1.03. Inconsistency with Agreement. If any provision of a technical assistance agreement is inconsistent with a provision of these Regulations, the provision of the technical assistance agreement shall govern.

ARTICLE II

Definitions; Interpretation

Section 2.01. Definitions. Except where the context otherwise requires, the following terms have the following meanings wherever used
in these Regulations or in a technical assistance agreement to which these Regulations have been made applicable:

1. “ADB” means Asian Development Bank;

2. “DMC” means a developing member country;

3. “Dollar” or the sign “$” each means the lawful currency of the United States of America;

4. “Fund” means the Asian Tsunami Fund of ADB established pursuant to DOC.R65-05;

5. “Recipient” means the party to the TA Agreement to which ADB has agreed to provide the TA;

6. “TA” means the technical assistance financed by ADB from the Fund; and

7. “TA Agreement” means the particular technical assistance agreement to which these Regulations shall have been made applicable, all agreements supplementary to the TA Agreement and all schedules thereto, as such agreement may be amended from time to time; and such term includes these Regulations as thus made applicable.

Section 2.02. Interpretation. Except where the context otherwise requires, (i) references in these Regulations to Articles or Sections are to Articles or Sections of these Regulations; (ii) the headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these Regulations; (iii) singular may include plural and vice versa; and (iv) a reference to any gender includes any other gender.
ARTICLE III

ELIGIBILITY AND USE OF PROCEEDS

Section 3.01. Activities to be Financed. Eligible activities for financing include the cost of expert services and related facilities required for TA or related operational activities (including staff training and development for eligible DMCs) to be carried out by ADB.

Section 3.02. Use of Proceeds. TA proceeds shall be used only for the purposes set forth in the relevant TA Agreement.

ARTICLE IV

Currency Provisions

Section 4.01. Denomination of the Grant. Except as the Board of Directors may otherwise determine, the TA grant shall be denominated in Dollars.

ARTICLE V

Particular Covenants

Section 5.01. Cooperation and Information. ADB and the Recipient shall cooperate fully to ensure that the purposes of the TA will be accomplished. To that end, ADB and the Recipient shall:

(i) from time to time, at the request of either one of them, exchange views with regard to any matters relating to the progress of the TA, the purposes of the TA, the performance of their respective obligations under the TA Agreement and furnish to the other party all such related information as it shall reasonably request; and
(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (i) above.

ARTICLE VI

Enforceability; Failure to Exercise Rights; Arbitration

Section 6.01. Enforceability. (a) The rights and obligations of ADB and the Recipient under the TA Agreement shall be valid and enforceable in accordance with their terms and, where the Recipient is a member of ADB, notwithstanding the law of any state, or political subdivision thereof, to the contrary.

(b) Neither ADB nor the Recipient shall be entitled in any proceeding under this Article to assert any claim that any provision of the TA Agreement is invalid or unenforceable because of any provision of the Articles of Agreement Establishing the Asian Development Bank or for any other reason.

Section 6.02. Failure to Exercise Rights. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the TA Agreement upon any default shall impair any such right, power or remedy, or be construed to be a waiver thereof or an acquiescence in any such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 6.03. Arbitration. (a) Any controversy between the parties to the TA Agreement and any claim by any such party against any other such party arising under the TA Agreement which shall not be settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.
(b) The parties to such arbitration shall be ADB on the one side, and the Recipient on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by ADB; a second arbitrator shall be appointed by the Recipient; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, the Umpire shall appoint such arbitrator. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the other party or parties shall notify the party instituting the proceeding of the name of the arbitrator appointed by such other party or parties.

(e) If within 60 days after the giving of the notice instituting the arbitration proceeding the parties shall not have agreed upon an Umpire, any party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral
Tribunal shall determine where and when it shall sit.

(g) The law to be applied by the Arbitral Tribunal shall be public international law, the sources of which shall be taken for these purposes to include:

(i) any relevant treaty obligations that are binding reciprocally on the parties;

(ii) the provisions of any international conventions and treaties (whether or not binding directly as such on the parties) generally recognized as having codified or ripened into binding rules of customary law applicable to states and international institutions, as appropriate;

(iii) other forms of international custom, including the practice of states and international institutions of such generality, consistency and duration as to create legal obligations; and

(iv) applicable general principles of law.

(h) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(i) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon
the parties to the TA Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(j) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by ADB on the one side, and the Recipient on the other side. The Arbitral Tribunal shall determine any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs.

(k) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the TA Agreement, and any claim by either party against the other such party arising thereunder.

(l) If within 30 days after the counterparts of the award have been delivered to the parties the award shall not be complied with, any party may enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party, and may enforce such judgment by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the TA Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against any party that is a member except as such procedure may be available otherwise than by reason of the provisions of this Section.
(m) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01. The parties to the TA Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Notices and Requests. Any notice or request required or permitted to be given or made under the TA Agreement, and any other agreement between any of the parties contemplated by the TA Agreement, shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or electronic mail to the party to which it is required or permitted to be given or made at such party’s address specified in the TA Agreement or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

Section 7.02. Authority to Take Action. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the TA Agreement, on behalf of the Recipient, may be taken or executed by the representative of the Recipient designated in the TA Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification of the provisions of the TA Agreement may be agreed to on behalf of the Recipient, by written instrument executed on behalf of the Recipient by the representative so designated or any person authorized in writing by such representative; provided that, in the opinion of such representative or other person, such modification is reasonable in the circumstances and will not substantially increase the obligations of the Recipient under the TA Agreement. ADB may accept the execution by such representative
or other person of any such instrument as conclusive evidence that in the opinion of such representative or other person any modification of the provisions of the TA Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 7.03. Evidence of Authority. The Recipient shall furnish to ADB sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any action or execute any documents required or permitted to be taken or executed by the Recipient under the TA Agreement and the authenticated specimen signature of each such person.

Section 7.04. Execution in Counterparts. The TA Agreement may be executed in several counterparts, each of which shall be an original.
ASIAN TSUNAMI FUND GRANT REGULATIONS
DATED 17 February 2005

ARTICLE I

Purpose; Application to Investment Project Grants

Section 1.01. Purpose. The purpose of these Regulations is to set forth certain terms and conditions generally applicable to grants for investment projects made by ADB from the Asian Tsunami Fund.

Section 1.02. Application of Regulations. Any grant agreement with ADB relating to a grant from the Asian Tsunami Fund may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided in any such agreement, these Regulations shall apply and shall govern the rights and obligations of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these Regulations shall be effective in respect of any such agreement unless the parties shall so agree in writing.

Section 1.03. Inconsistency with Grant Agreement. If any provision of a grant agreement is inconsistent with a provision of these Regulations, the provision of the grant agreement shall govern.

ARTICLE II

Definitions; Interpretation

Section 2.01. Definitions. Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or in a grant agreement to which these Regulations have been made applicable:
1. “ADB” means Asian Development Bank;

2. “assets” includes property, revenues and claims of any kind;

3. “currency” of a country or a territory means such currency as at the time referred to is legal tender for the payment of public and private debts in that country or territory;

4. “Dollar” or the sign “$” each means the lawful currency of the United States of America;

5. “Effective Date” means the date on which the Grant Agreement shall have come into force and effect pursuant to Section 9.03;

6. “Fund” means the Asian Tsunami Fund of ADB established pursuant to DOC.R65-05;

7. “Grant” means the grant provided for in the Grant Agreement for investment projects;

8. “Grant Account” means the account opened or to be opened by ADB on its books in the name of the Recipient to which the amount of the Grant has been or will be credited;

9. “Grant Agreement” means the particular grant agreement to which these Regulations shall have been made applicable, all agreements supplementary to the Grant Agreement and all schedules thereto, as such agreement may be amended from time to time; and such term includes these Regulations as thus made applicable;

10. “Grant Closing Date” means the date specified in the Grant Agreement, after which ADB may terminate the right of the Recipient to make any withdrawals from the Grant Account, or such other date as may be agreed between ADB and the Recipient for such purpose;
11. “member” means a member of ADB;

12. “Project” means the investment project for which ADB has agreed to make the Grant, as described in the Grant Agreement and as such description may be amended from time to time by agreement between ADB and the Recipient;

13. “Project Agreement” means the project agreement, if any, between ADB and the Project Executing Agency, being the Project Agreement referred to in the Grant Agreement, as such agreement may be amended from time to time; and such term includes all agreements supplementary to the Project Agreement and all schedules to the Project Agreement;

14. “Project Executing Agency” means any entity responsible for the carrying out of the Project as specified in the Grant Agreement;

15. “Recipient” means the party to the Grant Agreement to which ADB has agreed to provide the Grant; and

16. “taxes” includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Grant Agreement or thereafter imposed.

Section 2.02. Interpretation. Except where the context otherwise requires, (i) references in these Regulations to Articles or Sections are to Articles or Sections of these Regulations; (ii) the headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these Regulations; (iii) singular may include plural and vice versa; and (iv) a reference to any gender includes any other gender.
ARTICLE III

Grant Account

Section 3.01. Grant Account. The principal amount of the Grant shall be credited to the Grant Account and may be withdrawn therefrom in accordance with the provisions of the Grant Agreement and these Regulations.

ARTICLE IV

Currency Provisions

Section 4.01. Denomination of the Grant. Except as the Board of Directors may otherwise determine, the Grant shall be denominated in Dollars.

Section 4.02. Currency of Withdrawal and Purchase of Currencies. Except as ADB and the Recipient shall otherwise agree, withdrawals from the Grant Account shall be made in the currency in which the Grant is denominated. ADB shall, at the request and acting as agent of the Recipient, use such currency to purchase the currencies in which the cost of goods and services to be financed out of the proceeds of the Grant has been paid or is payable.

ARTICLE V

Withdrawal of Grant Proceeds

Section 5.01. Withdrawal from the Grant Account. (a) Grant proceeds shall be used only for the purposes of the Project. Subject to any conditions or restrictions specified in the Grant Agreement, the Recipient shall be entitled to withdraw from the Grant Account such amounts as shall have been paid, or, if ADB shall so agree, such amounts as shall be required to meet payments to be made, for the reasonable
cost of goods, services and any other expenditures required for the Project and to be financed under the Grant Agreement.

(b) Except as ADB and the Recipient shall otherwise agree, no withdrawals shall be made on account of (i) payments made prior to the Effective Date; and (ii) expenditures in the territory of any country which is not a member or for goods produced in, or services supplied from, such territory. ADB may refuse to finance a contract where goods and services have not been procured in accordance with procedures substantially in accordance with those agreed between the Recipient and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 5.02. Commitment Letters by ADB. Upon the Recipient's request, ADB may issue commitment letters to pay amounts in respect of the cost of goods and services to be financed under the Grant notwithstanding any subsequent suspension or cancellation.

Section 5.03. Application for Withdrawal. When the Recipient shall desire to withdraw any amount from the Grant Account or to request ADB to issue commitment letters pursuant to Section 5.02, the Recipient shall promptly deliver to ADB an application in such form and containing such statements, representations, warranties and agreements, as ADB shall reasonably request.

Section 5.04. Evidence of Authority to Sign Applications. The Recipient shall furnish to ADB sufficient evidence of the authority of the person authorized to sign applications for withdrawal and the authenticated specimen signature of each person.

Section 5.05. Supporting Evidence. The Recipient shall furnish to ADB such documents and other evidence in support of the application for withdrawal as ADB shall reasonably request, whether before or after ADB shall have permitted any withdrawal requested in the application.
Section 5.06. Sufficiency of Applications and Documents. Each application for withdrawal and the accompanying documents and all other evidence must be sufficient in form and substance to satisfy ADB that the Recipient is entitled to withdraw from the Grant Account the amount applied for and that the amount to be withdrawn from the Grant Account is to be used only for the purposes specified in the Grant Agreement.

Section 5.07. Payment by ADB. Payment by ADB of amounts which the Recipient is entitled to withdraw from the Grant Account shall be made to or on the order of the Recipient.

ARTICLE VI

Particular Covenants

Section 6.01. Cooperation and Information. (a) ADB and the Recipient shall cooperate fully to ensure that the purposes of the Grant will be accomplished. To that end, ADB and the Recipient shall:

(i) from time to time, at the request of either one of them, exchange views with regard to any matters relating to the progress of the Grant, the purposes of the Grant, the performance of their respective obligations under the Grant Agreement and the performance by the Project Executing Agency of its obligations under the Project Agreement, and furnish to the other party all such related information as it shall reasonably request; and

(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (a)(i) above.

(b) Where the Recipient is a member, such member shall afford all reasonable opportunity for ADB’s representatives to visit any part of its territory for purposes related to the Grant.
Section 6.02. Insurance. (a) The Recipient shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice. The Recipient shall be deemed to have opted for self-insurance in the absence of any specific insurance for the Project.

(b) Without limiting the generality of the foregoing, the Recipient undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 6.03. Records, Accounts and Audits. The Recipient shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Grant, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the Recipient.

Section 6.04. Reports. (a) The Recipient shall furnish, or cause to be furnished, to ADB all such reports as ADB shall reasonably request concerning (i) the Grant, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Grant; (iii) the Project and the Project Executing Agency; (iv) the administration and operations of the Recipient; and (v) any other matters relating to the purposes of the Grant.

(b) Without limiting the generality of the foregoing, the Recipient shall furnish to ADB quarterly reports, or reports at such other later intervals as may be agreed for this purpose between ADB and the Recipient on the execution of the
Appendix 5

Project, on the accomplishment of the targets and actions agreed between the ADB and the Recipient, and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three months thereafter or such later date as may be agreed for this purpose between the Recipient and ADB, the Recipient shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Recipient of its obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.

Section 6.05. Counterpart Obligations and Land Acquisition.
The Recipient shall make available, promptly as and when needed, the funds, facilities, services, land, and other resources as shall be necessary or required, in addition to the proceeds of the Grant, for the carrying out of the Project and for the operation and maintenance of the Project facilities. The Recipient shall furnish to ADB, promptly at its request, evidence satisfactory to ADB that such funds, facilities, services, land, and other resources are available for purposes related to the Project.

Section 6.06. Work Schedules, Plans and Design Standards.
The Recipient shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Recipient and ADB, as applicable. When required by ADB, the Recipient shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material
modifications subsequently made therein, in such detail as ADB shall reasonably request.

**Section 6.07. General Undertakings.** (a) The Recipient shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable financial, business and development practices.

(b) The Recipient shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

**Section 6.08. Contractors and Consultants.** Whenever applicable, in the carrying out of the Project, the Recipient shall cause competent and qualified consultants and contractors, acceptable to the Recipient and ADB, to be employed to an extent and upon terms and conditions satisfactory to the Recipient and ADB.

**Section 6.09. Maintenance.** The Recipient shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound operational and maintenance practices. The Recipient shall promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

**ARTICLE VII**

Exemption from Taxation

**Section 7.01. Exemption from Taxation.** (a) Where the Recipient is a member, such member shall ensure that the Grant Agreement and the Project Agreement, are exempt from any taxes levied by, or in the territory of, such member on or in connection with the execution, delivery or registration thereof.
(b) Where the Recipient is not a member, the Recipient shall obtain from the member, in whose territory the Project is to be carried out, and furnish to ADB, prior to the Effective Date, evidence, satisfactory to ADB, that the Grant Agreement and the Project Agreement, will be exempt from any taxes levied by, or in the territory of, such member on or in connection with the execution, delivery or registration thereof.

ARTICLE VIII

Suspension and Cancellation

Section 8.01. Suspension by ADB. If any of the following events shall have occurred at any time after the date of the Grant Agreement and be continuing, ADB may by notice to the Recipient suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account:

(a) The Recipient shall have failed to make payment of principal, interest charge or any other charge required under (i) any loan agreement or guarantee agreement with ADB; or (ii) in consequence of any guarantee or other financial obligation of any kind extended by ADB to any third party with the agreement of the Recipient.

(b) The Recipient shall have failed to perform any of its obligations under the Grant Agreement.

(c) The Project Executing Agency shall have failed to perform any of its obligations under the Project Agreement.

(d) ADB shall have suspended in whole or in part the right of the Recipient to make withdrawals under any other grant agreement or any loan agreement with ADB because of a failure by the Recipient to perform any of its obligations under such grant agreement or loan agreement or any related guarantee agreement with ADB.
Appendix 5

(e) A situation shall have arisen or developed which in the reasonable opinion of ADB will or may make it improbable that the Project can be successfully carried out or that the Recipient or the Project Executing Agency will be able to perform any of its obligations under the Grant Agreement or the Project Agreement.

(f) The member in whose territory the Project is to be carried out shall have been suspended from membership in, or ceased to be a member of, ADB, or shall have delivered a notice to withdraw from ADB.

(g) A representation made by the Recipient in or pursuant to the Grant Agreement or any statement furnished in connection therewith and intended to be relied upon by ADB in making the Grant, shall have been incorrect in any material respect, or, where the Recipient is not a member, any material adverse change in the condition of the Recipient as so represented by the Recipient shall have occurred in the reasonable opinion of ADB.

(h) Where the Recipient is not a member, the member in whose territory the Project is to be carried out or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Recipient, the alienation or transfer of any of its assets other than in the normal course of business, or for the suspension of its operations.

(i) Any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Project Executing Agency, the alienation or transfer of any of its assets other than in the normal course of business, or for the suspension of its operations.

(j) ADB shall have determined, with respect to any contract to be financed in full or in part out of the proceeds of the
Grant, that corrupt, fraudulent, collusive or coercive practices, as determined by ADB, were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to ADB to remedy the situation; or ADB shall have determined that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent with the relevant procedure set out in the Grant Agreement.

(k) Any other event specified in the Grant Agreement for the purposes of this Section shall have occurred.

The right of the Recipient to make withdrawals from the Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event which gave rise to such suspension shall have, in the reasonable opinion of ADB, ceased to exist or until ADB shall have notified the Recipient that the right to make withdrawals has been restored in whole or in part, whichever is the earlier.

Section 8.02. Cancellation by ADB. If (i) the right of the Recipient to make withdrawals from the Grant Account shall have been suspended with respect to any amount of the Grant for a continuous period of 30 days; or (ii) at any time ADB determines, after consultation with the Recipient, that any amount of the Grant will not be required for the purposes of the Project; (iii) by the date specified in the Grant Agreement as the Grant Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account; or (iv) at any time ADB determines, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices, as determined by ADB, were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to ADB to remedy the situation; or (v) at any time, ADB determines that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent
with the procedure set out in the Grant Agreement, ADB may by notice to the Recipient terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Grant shall be cancelled.

Section 8.03. Cancellation by the Recipient. After consultation with ADB, the Recipient may by notice to ADB cancel any amount of the Grant which the Recipient shall not have withdrawn prior to the giving of such notice.

Section 8.04. Amounts Subject to Commitment Letters. No suspension or cancellation shall apply to amounts subject to any commitment letter issued by ADB pursuant to Section 5.02 except as expressly provided in such commitment letter.

Section 8.05. Effectiveness of Provisions After Suspension or Cancellation. Notwithstanding any cancellation or suspension, all the provisions of the Grant Agreement and the Project Agreement shall continue in full force and effect except as specifically provided in this Article.

ARTICLE IX

Effectiveness; Termination

Section 9.01. Conditions Precedent to Effectiveness. The Grant Agreement shall not become effective until evidence satisfactory to ADB shall have been furnished to ADB that:

(a) the execution and delivery of the Grant Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary corporate and governmental action;

(b) where there is a Project Agreement, the execution and delivery of the Project Agreement on behalf of the Project Executing Agency shall have been duly authorized or ratified by all necessary corporate, administrative and governmental action;
Appendix 5

(c) where the Recipient is not a member, the condition of the Recipient, as represented to ADB at the date of the Grant Agreement, has undergone no material adverse change between such date and the date agreed upon between the Recipient and ADB for the purposes of this Section, provided that ADB shall have requested such evidence;

(d) where the Recipient, is not a member, the requirements Section 7.01(b) have been fulfilled; and

(e) all other events specified in the Grant Agreement as additional conditions to its effectiveness have occurred.

Section 9.02. Legal Opinions. As part of the evidence to be furnished pursuant to Section 9.01, the Recipient shall furnish, or cause to be furnished, to ADB an opinion or opinions satisfactory to ADB of counsel acceptable to ADB showing:

(a) on behalf of the Recipient, that the Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms;

(b) on behalf of the Project Executing Agency where there is a Project Agreement, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Project Executing Agency and is legally binding upon the Project Executing Agency in accordance with its terms; and

(c) such other matters as shall be specified in the Grant Agreement.

Section 9.03. Effective Date. (a) Except as ADB and the Recipient shall otherwise agree, the Grant Agreement shall come into force and effect on the date upon which ADB dispatches to the Recipient notice of its acceptance of the evidence required by Section 9.01.
(b) If, before the Effective Date, any event shall have occurred which would have entitled ADB to suspend the right of the Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, ADB may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event shall have ceased to exist.

**Section 9.04. Termination for Failure to Become Effective.** If the Grant Agreement shall not have come into force and effect by the date specified in the Grant Agreement for the purposes of this Section, the Grant Agreement and all obligations of the parties thereunder shall terminate, unless ADB, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. ADB shall promptly notify the Recipient of such later date.

**ARTICLE X**

**Enforceability; Failure to Exercise Rights; Arbitration**

**Section 10.01. Enforceability.** (a) The rights and obligations of ADB and the Recipient under the Grant Agreement shall be valid and enforceable in accordance with their terms and, where the Recipient is a member, notwithstanding the law of any state, or political subdivision thereof, to the contrary.

(b) Neither ADB nor the Recipient shall be entitled in any proceeding under this Article to assert any claim that any provision of the Grant Agreement is invalid or unenforceable because of any provision of the Articles of Agreement Establishing the Asian Development Bank or for any other reason.

**Section 10.02. Failure to Exercise Rights.** No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Grant Agreement upon any default shall impair any such right, power or remedy, or be construed to be a waiver thereof or an
acquiescence in any such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 10.03. Arbitration. (a) Any controversy between the parties to the Grant Agreement and any claim by any such party against any other such party arising under the Grant Agreement which shall not be settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be ADB on the one side, and the Recipient on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by ADB; a second arbitrator shall be appointed by the Recipient; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, the Umpire shall appoint such arbitrator. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving
of such notice, the other party or parties shall notify the party instituting the proceeding of the name of the arbitrator appointed by such other party or parties.

(e) If within 60 days after the giving of the notice instituting the arbitration proceeding the parties shall not have agreed upon an Umpire, any party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The law to be applied by the Arbitral Tribunal shall be public international law, the sources of which shall be taken for these purposes to include:

(i) any relevant treaty obligations that are binding reciprocally on the parties;

(ii) the provisions of any international conventions and treaties (whether or not binding directly as such on the parties) generally recognized as having codified or ripened into binding rules of customary law applicable to states and international institutions, as appropriate;

(iii) other forms of international custom, including the practice of states and international institutions of such generality, consistency and duration as to create legal obligations; and

(iv) applicable general principles of law.
(h) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(i) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Grant Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(j) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by ADB on the one side, and the Recipient on the other side. The Arbitral Tribunal shall determine any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs.

(k) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Grant Agreement, and any claim by either party against the other such party arising thereunder.
(l) If within 30 days after the counterparts of the award have been delivered to the parties the award shall not be complied with, any party may enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party, and may enforce such judgment by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against any party that is a member except as such procedure may be available otherwise than by reason of the provisions of this Section.

(m) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 11.01. The parties to the Grant Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE XI

Miscellaneous Provisions

Section 11.01. Notices and Requests. Any notice or request required or permitted to be given or made under the Grant Agreement, and any other agreement between any of the parties contemplated by the Grant Agreement, shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or electronic mail to the party to which it is required or permitted to be given or made at such party’s address specified in the Grant Agreement or at such other address as such party shall have designated by notice to the party giving such notice or making such request.
Section 11.02. Authority to Take Action. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Grant Agreement, on behalf of the Recipient, may be taken or executed by the representative of the Recipient designated in the Grant Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification of the provisions of the Grant Agreement may be agreed to on behalf of the Recipient, by written instrument executed on behalf of the Recipient by the representative so designated or any person authorized in writing by such representative; provided that, in the opinion of such representative or other person, such modification is reasonable in the circumstances and will not substantially increase the obligations of the Recipient under the Grant Agreement. ADB may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative or other person any modification of the provisions of the Grant Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 11.03. Evidence of Authority. The Recipient shall furnish to ADB sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any action or execute any documents required or permitted to be taken or executed by the Recipient under the Grant Agreement and the authenticated specimen signature of each such person.

Section 11.04.Execution in Counterparts. The Grant Agreement may be executed in several counterparts, each of which shall be an original.
[date]

Asian Development Bank
#6 ADB Avenue
Mandaluyong City
Philippines

[Name and identity of contributor] (hereinafter referred to as the “Contributor”) hereby undertakes to contribute to the Asian Tsunami Fund (the “Fund”) in an amount of [$___] in accordance with the provisions of the [Board Paper entitled “Asian Tsunami Fund”] of the Asian Development Bank (the “Paper”) and subject to the terms and conditions set forth in the Paper.

The contribution will be paid to the Asian Development Bank in the form of immediately available funds on or prior to [specify date].

The contribution shall be paid into [ADB to specify account details].

[The funds contributed hereunder shall be available only for projects [list sector and/or country limitations, if any].

Dated this ____ day of ___________ 2005.

For and on behalf of

__________________________________
As required under its terms of reference, the Procedures Committee for 2004/2005 met on 3 May 2005. Governors for Cambodia, People's Republic of China, Finland, Indonesia, Italy, Japan, Lao People's Democratic Republic, Malaysia, Philippines, Turkey, United States and Viet Nam 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. BG38-1 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. BG38-2, be approved.

3. **Agenda for Meeting**

   The Committee recommends adoption of the agenda as shown in DOC. No. BG38-3. Regarding the items on the Agenda, the Committee reports as follows:

   (a) **Annual Report for 2004**—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. BG38-4, 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. BG38-5, and recommends that the draft Resolution entitled “Allocation of Net Income” be adopted by the Board of Governors.

(d) **Budget for 2005**—The Committee recommends that the Board of Governors take note of the Report of the Board of Directors on the ADB and ADB Institute (ADBI) Budgets for 2005, DOC. No. BG38-6.

(e) **Resources of ADB**—The Committee recommends that the Board of Governors take note of the Report of the Board of Directors, DOC. No. BG38-7.

(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. BG38-8.

(g) **Place and Date of Fortieth Annual Meeting (2007)**—The Committee noted the Report of the Board of Directors, DOC. No. BG38-9, and recommends that the draft Resolution entitled “Place and Date of Fortieth Annual Meeting” be adopted by the Board of Governors.

(h) **Officers and Procedures Committee for 2005/2006**—The Committee recommends that a Procedures Committee be constituted consisting of the Governors for People’s Republic of China, Denmark, France, India, Japan, Luxembourg, Myanmar, Pakistan, Palau, Tonga, United States and Uzbekistan to be available through the Thirty-Ninth 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 Thirty-Ninth Annual Meeting. The Committee further recommends that the Governor for **INDIA** be appointed Chair of the Procedures Committee.
The Committee also recommends that the Governor for **INDIA** be elected Chair and the Governors for **LUXEMBOURG** and **PALAU** be elected Vice-Chairs of the Board of Governors for 2005/2006.

APPROVED:

_______________________ _______________________
TURKEY INDONESIA  
(Chair) (Reporting Member)
RESOLUTIONS ADOPTED AT THE MEETING

RESOLUTION NO. 306
PLACE AND DATE OF FORTIETH ANNUAL MEETING (2007)

The Board of Governors

RESOLVES THAT:

The Fortieth Annual Meeting of the Board of Governors (2007) be held from 6 to 8 May 2007 in Kyoto, Japan.

(Adopted 5 May 2005)

RESOLUTION NO. 307
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS’ REPORTS

The Board of Governors

Having reviewed the Independent Auditors’ Report on the Financial Statements of ADB for 2004

RESOLVES:

That the audited Financial Statements as contained in the Annual Report of ADB for 2004, which include separate financial statements for the operations of Special Funds, are approved.

(Adopted 6 May 2005)
RESOLUTION NO. 308

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 2004

RESOLVES:

That, of the net income of ADB from its ordinary capital resources for the year ended 31 December 2004 after appropriation of guarantee fees of $3,472,587 to the Special Reserve amounting to $427,079,623

(a) $40,962,859, representing the FAS 133 adjustment at 31 December 2004 be added to the Cumulative Revaluation Adjustments account;
(b) $51,800,000 be transferred from Loan Loss Reserve;
(c) $37,916,764 be allocated to Ordinary Reserve;
(d) $40,000,000 be allocated to Surplus;
(e) $288,000,000 be allocated to Asian Tsunami Fund;
(f) $32,000,000 be allocated to Technical Assistance Special Fund; and
(g) $40,000,000 be allocated to the Asian Development Fund.

(Adopted 6 May 2005)
# LIST OF OFFICIAL PARTICIPANTS

## ACCREDITED MEMBERS OF DELEGATIONS

## GOVERNORS AND THEIR DELEGATIONS*

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<tr>
<th>AFGHANISTAN</th>
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<tr>
<td>Governor</td>
<td>Anwar-Ul-Haq Ahady</td>
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## FRANCE

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## GERMANY

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## HONG KONG, CHINA

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<tr>
<td>Head of Delegation</td>
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## India

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<td>Alternate Governor (Head of Delegation)</td>
<td>Rakesh Mohan</td>
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## Indonesia

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Koji Sato
Moriaki Inamoto
Hideki Yamada
Syuusuke Yoshitake
Yasuhiro Kitaura
Jitsuya Nagata
Tomoyuki Abe
Shunsuke Iwai
Keiichi Kosaki
Miho Adachi
Takeo Yoshikawa
Yoko Yanagisawa
Naoki Tsutsui
Shinichiro Nakamura
Midori Ehara
Hidehiko Sogano
Satoshi Kawazoe
Mitsuru Nomura
Keiichi Miyata
Shigeru Shimizu
Masaichiro Yamanishi
Kazuhiro Iryu

---

**KAZAKHSTAN**

Head of Delegation  
Aidar Arifkhanov

---

**KIRIBATI**

Governor  
Nabuti Mwemwenikarawa

Temp. Alternate Governor  
Tiimi Kaiekieki

Adviser  
Tokaata Niata
### KOREA, REPUBLIC OF

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## LAO PEOPLE’S DEMOCRATIC REPUBLIC

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## LUXEMBOURG

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<td>Anouk Agnes</td>
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<td>Nicole Bintner-Bakshian</td>
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### MALAYSIA

**Governor ad interim**
Yakcop Nor Mohamed

**Temp. Alternate Governors**
- Esa Halipah
- Puteh Ibrahim Mahaludin

**Advisers**
- Sang Kuang Ooi
- Ahmad Mokhtar Selat
- Lay Hua Yap
- Eng Huat Lee
- Merican Johan Mahmood
- Jaya Kumaran

### MALDIVES

**Alternate Governor**
Riluwan Shareef

(Head of Delegation)

**Adviser**
Shafeenaz Abdul-Sattar

### MARSHALL ISLANDS

**Governor**
Brenson S. Wase

**Temp. Alternate Governor**
Alfred Alfred, Jr.
Bruce Bilimon
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### NAURU

**Governor**
- David Adeang

**Alternate Governor**
- Peter Depta

### NEPAL

**Governor**
- Madhukar Shumshere Rana

**Alternate Governor**
- Bhanu Prasad Acharya

**Temp. Alternate Governor**
- Rameshore Prasad Khanal

### THE NETHERLANDS

**Governor**
- Gerrit Zalm

**Temporary Alternate Governors**
- Jan Willem van Der Kaaij
  - Gerard Steeghs
  - Sjoerd I.H. Gosses

**Advisers**
- Ernst van Koesveld
- Mark Bezemer
- Nathalie Kroner
- Marco Hennis
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PAPUA NEW GUINEA

Governor
Bart Philemon

Alternate Governor
Simon Tosali

Temp. Alternate Governor
Arthur Somare

Advisers
Valentine Kambori
Manu Momo
Paul Enny
Mathias Lasia

PHILIPPINES

Temp. Alternate Governor
(Head of Delegation)
Roberto Tan

Adviser
Arlene Mendoza

PORTUGAL

Temp. Alternate Governor
(Head of Delegation)
Jose Moreno

Adviser
Lígia Maria Figueiredo
SAMOA

Governor: Misa Telefoni Retzlaff
Alternate Governor: Hinauri Petana
Advisers: Papalii Tommy Scanlan, Lusia Tekauita Sefo

SINGAPORE

Governor: Raymond Lim
Alternate Governor: Siong Guan Lim
Temp. Alternate Governor: Andy Seah
Advisers: Meng Yeow Chia, Chye Boon Goh, Maya Devi Gupta, Yew Fai Lee, Alan Ng, Bernard Wee

SOLOMON ISLANDS

Governor: Peter Boyers
Alternate Governor: Shadrach Fanega
Temporary Alternate Governors: Laurie Chan, Rick Nelson Houenipwela
Adviser: John Karatsoreos
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### TAJIKISTAN

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TUVALU

Governor
Bikenibeu Paeniu

Temp. Alternate Governors
Letasi Iulai
Limasene Teatu

UNITED KINGDOM

Temp. Alternate Governor
(Ghead of Delegation)
Gavin McGillivray

Advisers
Stephen McClelland
David John Smith
Nicola Jenns

UNITED STATES

Temp. Alternate Governor
(Head of Delegation)
Bobby Pittman

Temporary Alternate Governors
Paul Speltz
David Loevinger
Troy Brannen Wray

Advisers
Atticus F. Weller
Andy Baukol
Joanna Veltri
Lori Balbi
C. Franklin Foster
Kristin Forbes
Stephen Groff
John Hewko
Richard Naylor
Andrew Snow
UZBEKISTAN

Governor
Rustam S. Azimov

Temporary Alternate Governors
Ulugbek Rozukulov
Zaynutdin Mirkhodjaev
Batir Mirbabayev
Rustam Yakubovich Isaev

Advisers
Yuriy Kutbitdinov
Aybek Razzakov
Shukhrat Ismailov

VANUATU

Governor
Moana Carcasses Kalosil

Alternate Governor
Simeon Malachi Athy

Adviser
Peter Tari Merakali

VIET NAM

Governor
Le Duc Thuy

Temporary Alternate Governors
Le Thi Bang Tam
Le Minh Hung

Advisers
Truong Thai Phuong
Do Tuan Anh
Nguyen Lan Huong
Ngo Viet Son
Nguyen Thi Tam
Hoang Minh Ngoc
Pham Xuan Lap
Nguyen Thi Hong Van
Tran Quy Trung
Le Tat Thang
Nguyen Dinh Duong
Do Tat Ngoc
Pham Minh Tu
Dang Van Thanh
Tran Xuan Huy
Mai Hoang Phuong
OBSERVERS

Armenia
Armen Avagyan
David Avetissian
Vardan Khachatryan

Brunei Darussalam
Nasir Ali
Pehin Dato Ab Rahman Ibrahim
Mahadi Ibrahim
Nazmi Mohamed
Maidin Pg Hj Hashim
Jefri Salleh
Roslan Yacub

Georgia
Valeri Chechelashvili
Valerian Katamadze

Iran
Akbar Ghahremani
Jalal Kalantari
Kia Tabatabaee

Ireland
Elizabeth Beckett
Robert Bradshaw

Russian Federation
Andrey Bychkov
Sergey Chumakovsky
Andrey Kondakov
Alexandr Larin
Maxim Yazhlev
Elena Zamorina

African Development Bank
Sandeep Jain

Asian Productivity Organization
Shigeo Takenaka

Association of South East Asian Nations
Tri Sukma Djandam
Worapot Manipatpong
Keng-Yong Ong
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<td></td>
<td>Engilbert Gudmundsson</td>
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<td></td>
<td>Jeffrey Gutman</td>
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<td>Shigeo Katsu</td>
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<td>John Roome</td>
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<td></td>
<td>Peceli Viniwaqa Vocea</td>
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<td>Dennis de Tray</td>
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# BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Directors</th>
<th>Alternate Directors</th>
<th>Members Represented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolf Eckermann</td>
<td>David Taylor</td>
<td>Austria; Germany; Luxembourg; Turkey; United Kingdom</td>
</tr>
<tr>
<td>Emile Gauvreau</td>
<td>Geert Jan Engelsman</td>
<td>Canada; Denmark; Finland; The Netherlands; Norway; Sweden</td>
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<tr>
<td>Agus Haryanto</td>
<td>Richard Stanley</td>
<td>Cook Islands; Fiji Islands; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga</td>
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<tr>
<td>*Chol-Hwi Lee</td>
<td>*Batir Mirbabayev</td>
<td>Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam</td>
</tr>
<tr>
<td>Marita Magpili-Jimenez</td>
<td>*M. Akram Malik</td>
<td>Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines; Timor-Leste</td>
</tr>
<tr>
<td>Michele Miari Fulcis</td>
<td>Niklaus Zingg</td>
<td>Belgium; France; Italy; Portugal; Spain; Switzerland</td>
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<tr>
<td>*Masaki Omura</td>
<td>*Masaichiro Yamanishi</td>
<td>Japan</td>
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<tr>
<td>Ashok Saikia</td>
<td>M. Saiful Islam</td>
<td>Bangladesh; Bhutan; India; Lao People's Democratic Republic; Tajikistan</td>
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<tr>
<td>Stephen Sedgwick</td>
<td>Richard Moore</td>
<td>Australia; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Palau; Solomon Islands; Tuvalu</td>
</tr>
<tr>
<td>*Paul W. Speltz</td>
<td>*Troy Wray</td>
<td>United States</td>
</tr>
<tr>
<td>Chaiyuth Sudthitanakorn</td>
<td>Sein Tin</td>
<td>Malaysia; Myanmar; Nepal; Singapore; Thailand</td>
</tr>
<tr>
<td>*Xiaosong Zheng</td>
<td>*Xiaolong Mo</td>
<td>People's Republic of China</td>
</tr>
</tbody>
</table>

* Also listed as Delegate.
PRINCIPAL OFFICERS AND SENIOR STAFF
WHO ATTENDED THE MEETING

President
Haruhiko Kuroda

Vice-Presidents
Joseph B. Eichenberger
Liqun Jin
G.H.P.B. van der Linden
Khempheng Pholsena

Managing Director General
Young-Hoi Lee

The Secretary
Jeremy H. Hovland

Deputy Secretary
Amarjit S. Wasan

General Counsel
Arthur M. Mitchell

Director General, Strategy and Policy Department
Kazu Sakai

Director, SPPI
Christopher MacCormac

Resident Director General, European Representative Office
Philippe Benedic

Resident Director General, Japanese Representative Office
Woo Chull Chung

Resident Director General, North American Representative Office
James E. Rockett

Director General/
Chief Compliance Officer,
Regional and Sustainable Development Department
Bindu N. Lohani

Deputy Director General
Khalid I. Rahman

Director, RSGR
Jak Jabes

Director, RSAN
Robert Dobias
Chief Economist, Economics and Research Department Department
Ifzal Ali

Director General, South Asia Department Kunio Senga
Deputy Director General John Samy

Director General, Mekong Department Rajat M. Nag
Deputy Director General Arjun Thapan

Director General, Private Sector Operations Department Robert Bestani
Director, PSIF Seethapathy Chander

Director General, East and Central Asia Department H. Satish Rao

Director General, Southeast Asia Department Shamshad Akhtar

Pacific Department
Director, Pacific Department Robert Y. Siy
Area A
Director, Pacific Department Indu Bhushan
Area B

Regional Director, Pacific Liaison Office Naomi Chakwin

Treasurer Mikio Kashiwagi
Assistant Treasurer, TDFP Juanito Limandibrata

Director General, Budget, Personnel and Hideo Nakajima Management Systems Department

Director General, Operations Evaluation Bruce Murray Department

Principal Director, Office of Cofinancing Philip Erquiaga Operations
Director Werner Liepach
Auditor General  
Peter E. Pedersen

Controller  
Ping-Yung Chiu

Director/Officer-in-Charge, Office of External Relations  
Ann Quon

Chairman, Office of the Compliance Review Panel  
Augustinus Rumansara

Special Project Facilitator, Office of the Special Project Facilitator  
Nalin Samarasingha

Economic Advisor to the President and Designate Head, Office of Regional Economic Integration Office  
Masahiro Kawai

Senior Director  
Pradumna B. Rana
OFFICERS OF THE BOARD OF GOVERNORS
AND PROCEDURES COMMITTEE

2004/2005

BOARD OF GOVERNORS

Chairperson: Turkey
Vice-Chairpersons: Cook Islands
Mongolia

PROCEDURES COMMITTEE

Cambodia
People’s Republic of China
Finland
Indonesia
Italy
Japan
Lao People’s Democratic Republic
Malaysia
Philippines
Turkey (Chairperson)
United States
Viet Nam

2005/2006

BOARD OF GOVERNORS

Chairperson: India
Vice-Chairpersons: Luxembourg
Palau

PROCEDURES COMMITTEE

People’s Republic of China
Denmark
France
India (Chairperson)
Japan
Luxembourg
Myanmar
Pakistan
Palau
Tonga
United States
Uzbekistan