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Introduction

Over the past decades, Asia and the Pacific have experienced significant advancements, with rapid growth, decline of poverty rates and the resulting transition from a low-income to a middle-income region. 2017 has confirmed this trend and it has been a successful year for ADB.

However, the goal of eradicating poverty is yet to be achieved. Numerous challenges remain to be addressed: needs are considerable and reflect the differences in developing member countries.

We are proud shareholders of this institution that has the capacity to respond to the tremendous changes happening in the Region; it is our firm commitment to continue supporting ADB as one of the most significant players, aligned with the global development agenda, aiming at environmentally sustainable and socially inclusive growth.

In view of the approval of the new corporate strategy later this year, we would like to put emphasis on two factors: the coordination with other International Financial Institutions and the nexus between growth and inequality.

IFIs Coordination

In the last decade, the international community has repeatedly called on MDBs to improve their effectiveness and efficiency through better coordination and collaboration, without forgetting the importance of reporting results and tracking their capacity to deliver, both collectively and individually, in a comparable way.

MDBs should not be seen as individual institutions competing for scarce resources, but as a system able to deliver a transformative impact, where each institution builds on its respective mandate and expertise for an effective and efficient division of tasks. There are a number of areas where we see scope for improving across MDBs: scale up their impact; make better use of their balance sheets; adhere to the highest standards in transparency and accountability; mobilize additional private finance; align their practices so as to increase their collective impact; support domestic resources mobilization; complement the work of the IMF.

Two specific topics are catalyzing attention among MDBs: i) developing a common framework on the concept of value-for-money, so as to better capture key dimensions of economic efficiency and effectiveness; ii) the additionality of investments in the private sector, with some ground rules to be developed, as a first step toward an integrated framework.

We highly value ADB commitment in this exercise and we look forward to seeing progress in the following up of joint discussions among MDBs.

Growth and inequalities

In spite of overall growth, inequalities persist within countries, reflecting the uneven distribution of increased prosperity among the population.

Sustainable growth needs investments in infrastructure, innovation and human capital. These three pillars need to be supported by institutions and policies that ensure inclusive growth, underpinned by macroeconomic stability. ADB must help governments develop comprehensive policy packages that encompass social sectors and spread evenly the benefits of prosperity.

Investing in human and technological capital is key to address inequality by helping all generations to cope with opportunities and challenges from globalization and adapt to changes.

ADB operations with the private sector should also be instrumental to achieve inclusive growth, by focusing on fields of activity that improve access to employment, finance and services that enhance economic opportunities for disadvantaged groups.

Strategy 2030

Poverty eradication is at heart of the Bank mandate; this ambitious goal can only be reached if prosperity, inclusiveness, resiliency, and sustainability become a reality in Asia and the Pacific.

We are glad to see that the draft Strategy 2030 focuses on modalities to respond to the changing needs of DMCs: to remain relevant in the development context, ADB needs to aim at high quality, by setting priorities, adopting a selective approach and improving its flexibility.

Quality operations need to be structured following the principles of inclusiveness, sustainability, and resiliency, with infrastructure investments embedding social, environmental and regional integration aspects.

We see with favor a stepping up of investment in education and health, given their benefits both to individuals and societies at large in terms of poverty reduction and social cohesion. ADB can contribute to the improvement of public policies in support of these sectors.

Furthermore, more should be done to cope with the environmental challenges of the Region, including by strengthening the use of innovative technologies. To this end, a long-term strategic and operational approach to environmental sustainability should be designed, starting from a comprehensive review of ADB's energy policy to ensure the ability of this institution to meet the compelling requirements of the global agenda.

We welcome the grouping of countries corresponding to differentiated approaches. We also commend the ADB engagement to make sure progress achieved in fragile countries and vulnerable groups are long lasting.

The selective approach is particularly relevant in the case of MICs, where more differentiation should be pursued by the institution. ADB relevance in these countries indeed will depend on its value added in contributing to sustainable productivity and inclusive growth, as well as on its role as a knowledge institution.

The adoption of differentiated approaches – which seems to gather consensus among shareholders – is strictly interlinked to pricing differentiation.

We note that the revised text of the Strategy 2030 spells out the principle of diversification. [diversification of the terms of products and instruments]; and we look forward to concrete further progress and options to be discussed in the coming months.

We welcome the mentioning of the graduation policy in the draft Strategy; however, ways for strengthening the framework and improving its implementation should be explored. Simultaneously, modalities for the Bank to stay engaged in graduating countries to ensure smooth transition should be devised.

In the future of ADB we see a strong potential for enhanced operations with the private sector, provided that these generate truly additional investment and development impact. MDBs are uniquely placed to reduce the mismatch between demand and supply for private finance, and even to favor the demand thorough the development of bankable projects, but it is essential that MDBs' support to private sector operations does not crowd-out the private sector itself and goes beyond what is available, or that is otherwise absent from the market. Although some differences may occur across the MDBs, we see great scope for convergence and we strongly support the joint work of MDBs aimed at developing an harmonized framework and its operationalization right away.

Although we see merits in the “One ADB” approach, a more focused strategy for the private sector could be beneficial for this institution. To start with, a review of policies applied by the other MDBs could provide precious inputs. For instance, we can learn lessons from the cascade approach developed by the World Bank to encourage the private sector to step in, while preserving public resources for critical public investment.

Resource base

We are pleased to acknowledge the ADB current solid capital base. In the years to come, preserving the solidity achieved will be of utmost importance, including by exploring mechanisms to maintain the ADB financial sustainability over time. Pricing differentiation, which naturally follows the adoption of differentiated approaches in beneficiary countries, is the first measure that the Bank needs to implement for the sake of long-term sustainability.

In addition, considering the increasing financing needs of DMCs, we encourage Management to follow the path of budget discipline and capital optimization. More can be done in terms of efficiency in managing administrative and operational costs: the constant under-use of administrative budgets over the past few years is hard to reconcile with the requested budget increases and seems to indicate that the available resources are not utilized in the best possible way. We also see the need to speed up the planned review of compensation and benefits as ADB must develop its own methodology for salary assessment, taking into due account its own specificities.

Asian Development Fund

Finally, we would like to see the ADF included in the Strategy 2030.

Whilst we wait for the ADF12 Midterm Review in 2019, we could benefit from lessons learnt so far: in the first year of operations of the post-merger Fund, the main beneficiaries have become Afghanistan and some small states, particularly Pacific island states.

We would welcome an overview of challenges and mitigation measures in support of fragile situations and islands exposed to climate disaster risks, also in the light of the risk of reversals.

Including the ADF in the Strategy 2030 would provide the opportunity to better coordinate activities on the field with other multilateral as well as bilateral actors in order to avoid duplications.

We should lay the grounds, ahead of the Midterm Review, for a strategic plan able to keep donors interested in the Fund, for instance by narrowing the scope of action to agreed themes, developing innovative products, linking grants to compliance of international standards (e.g. on tax transparency).

Conclusion

This is undoubtedly a challenging as well as exciting period: shareholders are asked to take crucial decisions and we want to do our best not miss the opportunity offered by the Strategy 2030 to contribute to shaping the future of ADB and its developing member countries, whose interests and well-being are the guiding directions for our work.