



SUMMARY OF PROCEEDINGS

41st ANNUAL MEETING
Board of Governors
Madrid, Spain
5–6 May 2008

Asian Development Bank

INTRODUCTORY NOTE

The Forty-First Annual Meeting of the Board of Governors of the Asian Development Bank was held in Madrid, Spain from 5 to 6 May 2008.

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.

SHYAM P. BAJPAI
The Secretary
Asian Development Bank
July 2008

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Summary of Proceedings of the Forty-First Annual Meeting of the Board of Governors

The Forty-First Annual Meeting of the Board of Governors was held in the Institución FERIA de Madrid (IFEMA), Spain, from 5 to 6 May 2008.

The Honorable Pedro Solbes Mira, Minister of Economy and Finance of Spain, addressed the opening session on 5 May 2008, followed by the President of the Asian Development Bank (ADB), Mr. Haruhiko Kuroda.

The Governor for Spain, the Honorable Pedro Solbes Mira, chaired the Meeting. The Governor for Tonga, H.E. Feleti Vaka'uta Sevele, and the Governor for the Socialist Republic of Viet Nam, Mr. Nguyen Van Giau, served as Vice-Chairs.

Procedures Committee for 2007/2008

The Procedures Committee for 2007/2008 met on 4 May 2008 and submitted its Report on the Schedule of the Meeting, the Provisions Relating to Conduct of Meeting, the Draft Agenda, and other matters in its terms of reference, including the composition of the Procedures Committee for 2008/2009. The Board approved the Report.

Agenda

The Board adopted the Agenda, as circulated.

Annual Report for 2007

The Board noted the Annual Report of the Board of Directors for 2007.

Financial Statements and Independent Auditors' Reports

The Board approved the audited Financial Statements of ADB for 2007, which included separate financial statements for the operations of Special Funds (Resolution No. 330).

Allocation of Net Income

The Board adopted Resolution No. 331 and resolved that, of the net income of ADB from its ordinary capital resources for the year ended 31 December 2007 amounting to \$760,174,205, after appropriation of guarantee fees of \$5,048,492 to the Special Reserve,

- (a) \$87,623,631, representing the FAS 133 adjustment and the unrealized portion of net income from equity investments accounted under

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- equity method, at 31 December 2007, be added to the Cumulative Revaluation Adjustments account;
- (b) \$12,962,000 be allocated to Loan Loss Reserve;
 - (c) \$278,294,287 be allocated to Ordinary Reserve;
 - (d) \$278,294,287 be allocated to Surplus;
 - (e) \$40,000,000 be allocated to the Asian Development Fund;
 - (f) \$23,000,000 be allocated to the Technical Assistance Special Fund; and
 - (g) \$40,000,000 be allocated to the Climate Change Fund.

Budget for 2008

The Board noted the Report of the Board of Directors on the budgets of ADB and the Asian Development Bank Institute (ADBI) for 2008.

Resources of ADB

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

Review of Rules and Regulations

The Board noted a report of the Board of Directors on the Review of Rules and Regulations, which highlighted Amendments to the Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers.

Place and Date of Forty-Second Annual Meeting

The Board Adopted Resolution No. 332, which provides that the Forty-Second Annual Meeting of the Board of Governors be held from 4 to 5 May 2009 in Bali, Indonesia.

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

The Board elected the Governor for Indonesia as Chair of the Board of Governors and the Governors for Denmark and Georgia as Vice-Chairs, to hold office until the close of the Forty-Second Annual Meeting.

Procedures Committee for 2008/2009

The Board appointed the Procedures Committee for 2008/2009 composed of the Governors for:

Bhutan	Philippines
People's Republic of China	Switzerland
Georgia	Thailand
Japan	United Kingdom
The Netherlands	United States
New Zealand	Vanuatu

The Board appointed the Governor for Indonesia as Chair of the Procedures Committee for 2008/2009.

Appreciation

Governors expressed their appreciation for the warm hospitality extended by the Government and the people of Spain on the occasion of the Forty-First Annual Meeting.

Schedule of Meeting*

- | | | |
|----------------|--------------|---|
| Monday, 5 May | - 10:30 a.m. | - Opening Event |
| | | - Address by the Chair |
| | | - Address by the President of ADB |
| | | - Address by the King of Spain |
| | - 12:15 p.m. | - Adjournment |
| | - 2:30 p.m. | - Report of the Procedures Committee |
| | | - Statements by Governors |
| | - 5:00 p.m. | - Adjournment |
| Tuesday, 6 May | - 9:30 a.m. | - Statements by Governors |
| | - 11:30 a.m. | - Adjournment |
| | - 2:30 p.m. | - Statements by Governors |
| | | - Report of the Procedures Committee (Continuation) |
| | | - Remarks by the Chair-Elect |
| | | - Closing Remarks |
| | - 4:30 p.m. | - Closure |

* Seminars and other activities were held throughout the day from 3 to 6 May.

Provisions Relating to Conduct of Meeting

Admission

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

Order of Speaking and Records

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

Procedures Committee

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

Public Information

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

Agenda

1. Annual Report for 2007
2. Financial Statements and Independent Auditors' Reports
 - a. Ordinary Capital Resources
 - b. Special Funds
3. Allocation of Net Income
4. Budget for 2008
5. Resources of ADB
6. Review of Rules and Regulations
7. Place and Date of Forty-Second Annual Meeting
8. Officers and Procedures Committee for 2008/2009

Addresses

Address by the King of Spain

I wish to thank the Asian Development Bank for its kind invitation to open the Forty-First Annual Meeting of its Board of Governors.

I would like to begin by welcoming you most warmly to Spain and wishing you every success in your reflections and exchanges of opinions, experiences and proposals.

Your work in Madrid should contribute to supporting the efforts of the Asian-Pacific countries, aimed at making the most of new opportunities and addressing effectively the challenges ahead.

The tasks you are about to begin, marked by a high sense of solidarity, deserve our encouragement and support.

Ladies and Gentlemen,

Today the vast Asian continent constitutes one of the pillars of the international economy.

Indeed, Asia is home to sixty per cent of the world's population, it generates a third of world production and holds two-thirds of global currency reserves. In short, Asia has the greatest medium and long-term growth potential on the planet.

Moreover, Asia exemplifies an unprecedented reduction in poverty levels, which has been achieved through impressive growth rates.

Indeed, if in 1990 more than one out of three persons in the region was living on less than a dollar a day, in extreme poverty, today this proportion has been reduced to under one out of five.

We all admire this progress, bearing in mind, in addition, that forecasts indicate that this trend will continue during the forthcoming decade.

However, much remains to be done. The list of challenges that the region faces is still significant.

Therefore, the Asian Development Bank plays a key role. Spain is resolved to maintain its contribution to this role, in order to address these challenges and fight against poverty in the region.

Ladies and Gentlemen,

Asia currently represents a strategic priority for Spain, particularly so in view of the growing Spanish presence in the East, which began almost five centuries ago in the Philippines, the dynamic country that is home to the Bank's headquarters.

Today, the importance of contemporary Spain in the world economy, and the interest in Asia shown by Spanish companies, are factors encouraging Spain to seek ever closer relations with all the countries in the region.

For these reasons, Spain considers the occasion of this high-level Meeting in Madrid as an excellent opportunity to give fresh impetus to our relations with Asia.

At the same time, this Meeting enables us to express Spain's commitment to the Asian Development Bank and, through it, to the economic growth and social well-being of the entire continent.

This support has been reinforced by the transformation that, as a country, we have undergone over the last thirty years.

Today, Spain is an active member of the European Union, a conspicuous actor on the world economic stage and a generous partner in international society, being well aware of the responsibility it has taken on in all these areas.

In this respect, let us recall that in 2007 Spain was the OECD member presenting the highest increase in its Official Development Assistance, which now exceeds 0.4% of Spanish GDP.

The fact that Spain provided over 5.7 billion dollars in development assistance during the last year reflects the solidarity with which the Spanish people are contributing to improved living conditions in the least favoured countries.

Hosting this Meeting in Madrid is further evidence of Spain's commitment to multilateral financial institutions, which are in need of the experience, support and cooperation of us all.

Spain is participating in a growing number of multilateral financial organizations, whilst also making increasingly large contributions to them.

These organizations provide and facilitate resources and knowledge, with the aim of boosting the sustainable economic growth of less wealthy countries.

Within this framework, a noteworthy aspect is Spain's higher relative contribution to what is known as "soft financing", aimed at the poorest countries.

Together with its financial contribution, Spain can contribute two additional assets to the economic development and rise in social well-being of the region.

On the one hand, the experience and know-how of its companies, which have more than proven themselves in other regions of the world. On the other, the organizational capacity and educational level of its civil society.

For all of these reasons, I am convinced that Spain's intense presence and activity in other regions of the world will be increasingly extended to Asia and the Pacific.

Ladies and Gentlemen,

I cherish the hope that this year's Meeting may be an important landmark in the history of the Asian Development Bank.

Maximum efficiency in resource management and the design of an optimal operative model require a great deal of effort, and not a little sacrifice.

This is why it is so important for the work of the Bank's members and stakeholders to faithfully reflect the spirit of cooperation and solidarity that inspired the creation of these institutions.

I would like to conclude by encouraging the Governors to continue to improve, with the effort of all, the effectiveness of the Bank's actions in its fight against poverty, promoting progress throughout the region.

Thank you very much.

Address by the Prime Minister of Spain JOSÉ LUIS RODRÍGUEZ ZAPATERO

Firstly, today I would like to express my support and the support of the Spanish Government to the people of Myanmar, for they have been hit by devastation and have suffered massive loss of human lives. I do hope that the solidarity of the international community will contribute, decisively and efficiently, to make up for the suffering of so many people and to reconstruct infrastructure, services and houses in a country that is a member of the Asian Development Bank.

I know that over the last few days you have been dealing with important matters related to the future of the Asia-Pacific region and to the activities of the Bank; the representatives of the different countries have taken part in multiple meetings and the different seminars carried out have been attended by important international personalities.

Thus, these sessions have turned Madrid into an important discussion forum. Discussions have been held about the economy in the Asia-Pacific region and, in particular, about how to enhance the economic and social development of countries in that region in order to reduce existing poverty. I would like to express my sincere gratitude to you all, for having taken part in this Annual Meeting of the Asian Development Bank, an organization Spain feels proud to belong to.

I would like to mention three issues that my Government considers especially relevant.

In the first place, I would like to say once more that fighting poverty and contributing to economic growth and to the sustainable development of poor countries is one of the priorities of the Spanish Government. In fact, this is a priority of Spanish society as a whole, which wants our country to contribute actively to eradicate poverty in the world and to make it possible for everyone to enjoy more decent living conditions. This is so, of course, because it is a matter of justice, a basic duty, a matter of solidarity, but also because it is the way to preserve the balance and the safety of all the inhabitants of a world that is irreversibly globalized.

This is the reason why, during my administration, official development assistance, which includes the contributions channeled through multilateral development banks, such as the Asian Development Bank, has more than doubled, passing from 0.22% of gross domestic product (GDP) in 2004 to 0.5% in the budgets for 2008.

Our aim is to increase such assistance up to 0.7% of GDP over the next 4 years, reaching approximately €10,000 million. We are also aware that this effort will be useless if we are not able to stay in tune with other donors and with the policies, strategies and criteria of the beneficiary countries. In this sense, multilateral development banks are excellent instruments to coordinate efforts and to channel resources.

Besides, I would also like to emphasize that from our point of view, as far as cooperation for development is concerned, the private sector plays an important role. Today, here, there are representatives of numerous, very important Spanish companies and sectors that have proved their great technical and organizational capacity abroad. It has been thanks to such capacity that they have been able to enter the main international markets, turning Spain into the third biggest direct investor in the world, reaching 7% of the world's direct investments in 2007, only behind the USA and France.

The growing internationalization of our economy goes hand in hand with the great modernization of the Spanish economy over the last decades. Our opening towards foreign markets, the economic integration with neighboring countries, the implementation of rigorous economic policies and the adoption of modernizing reforms have brought about a greater welfare and social cohesion, at all levels.

Many countries in Asia and in the Pacific region are also implementing this development strategy and quite successfully too, as is proved by their high economic growth rates.

As we move on in the road towards development, it is always good to benefit from the experience and capacities of investors from different countries. And I am sure that the Spanish private sector can offer interesting possibilities for cooperation and joint work to governments, companies and civil societies of the countries in this region, as well as to the multilateral development institutions.

To conclude, I would like to emphasize the growing relevance of Asia in the international economic arena and Spain's need to increase its presence in that continent.

In fact, the tendencies observed as far as its economic growth is concerned since 1980 and, specially, over the last decade, are simply amazing. During the previous 5 years, the Asian continent has been responsible for nearly 35% of global growth and its importance as far as international trade is concerned amounts almost to 30% of the total. Besides, the region has become an important savings' exporter, helping to make up for the financial needs of other economies and contributing to the lessening of the turbulence of the international financial system.

Spanish commercial and investment exchanges with Asian countries are growing quite rapidly, although they still fall short of their potential level. The accumulated Spanish investments in this region, from the beginning of the 1990s, amount to €2,300 million, which is quite a modest figure. But their evolution is highly positive, for in 2007 €750 million was invested, one third of the aforementioned accumulated amount.

We have no doubts: given the great dynamism of Asian economies and their highly promising future, Asia is a preferential area and it must be given pre-eminence as far as the internationalization of Spanish economy is concerned.

These are the reasons why my Government has implemented an ambitious Asia-Pacific Action Plan over the last few years, in order to guarantee the

presence of Spain in a region that from the point of view of economy, politics and strategy will manage the future of the universe.

Our strategy concerning the Asia-Pacific region is not just concerned with the promotion of our companies. Asia is the centre of gravity of worldwide balance. It involves an effort connected to the desires of different sectors of Spanish society that would like Asia to become, together with Latin America, Europe and the Mediterranean, one of the factors to determine the international position of Spain as a power with global interests, over the next few years.

With the Asia-Pacific Action Plan, the Government has definitively turned Asia into one of the priorities of our foreign policy. We are making unprecedented efforts in order to set up new Embassies: two new ones are already operating (in Kabul and Wellington) and one more has been opened up in Dhaka and in the near future we will open two more: in Phnom Penh and Colombo, which means that the number of Spanish Embassies will increase by 40% in this area from the beginning of this administration. We must also consider the General Consulates, the Commercial Offices, the Offices of Defence and Interior Policy and the six Cervantes Institutes; one of them has already been inaugurated in Beijing, there is another one, fully operative, in Tokyo and the ones in Shanghai, Seoul, Delhi and Sydney will open soon.

Thus, we are turning our conviction that Spain's projection in the Asia-Pacific is one of our main assets in foreign policy into a pragmatic fact, for Spanish foreign policy has a vocation for globalism and pragmatism.

To conclude, if we combine these three factors that I have just mentioned, that is, the fact that cooperation for development is a priority for the Spanish Government, the fact that the private sector is a key sector and it must be taken into account in development strategies, and the fact that Asia and the Pacific are Spain's strategic choice, we may draw the following conclusion: the growing interrelation between our governments, companies and institutions can only generate benefits, and the Asian Development Bank plays an important role as a linking bridge between them all.

Once more, thank you very much for being here, in Madrid, for the success of this Annual Meeting and good luck to you all.

Opening Address by the Chair of the Board of Governors and Governor for Spain PEDRO SOLBES MIRA

It is truly an honour to welcome you to Spain and to the city of Madrid for the 41st Annual Meeting of the Asian Development Bank.

The planning for this auspicious event has been an example of the strong partnership Spain has built with Asia and the Pacific countries and with ADB; of our commitment to promote and foster growth, sustainable development and poverty reduction in the region.

I would like to thank the regional and local authorities from Madrid's Autonomous Region and the City of Madrid for their support in organizing this Annual Meeting.

Global Economic Situation and Outlook

As we gather here today to deliberate the future of Asia and ADB's ongoing role, a shadow looms over the global economy. But even as the slowdown that began in the US is now spreading to Europe and Japan, the Asia and Pacific region remains strong. Developing Asian economies are set to grow by 7.6% this year, after last year's 8.7%, which was the highest growth rate in almost two decades.

Economic growth, while necessary for reducing poverty, is not sufficient on its own. The Asia and Pacific region still faces many challenges in improving the lives of the poor. Rising food prices are putting poor people into precarious circumstances. Asia's large energy demands are increasingly adding to the threat of climate change and environmental degradation. And recent reports suggest that even this fastest growing region of the world will not achieve all the non-income Millennium Development Goals.

There are still large financing gaps. But these also need to be accompanied by good governance and sound public policies to ensure the benefits reach the poor and disadvantaged. The region's policy makers are to be commended for maintaining macroeconomic stability, integrating into the global economy, and improving the region's business and investment climate. These efforts must continue to ensure that future growth is adequate to support ongoing poverty reduction.

Regional partnerships are also paramount to support and sustain economic growth and financial stability, and to solve shared problems. Increasing regional cooperation and integration in Asia is a positive development not only for Asia, but for all participants in the global economy.

Europe and Asia-Pacific Partnerships

We all know that European cooperation and economic integration has significantly narrowed income gaps and increased economic growth. There is no better time than now to accelerate the process of regional cooperation

and integration so that more countries and more individuals can enjoy the benefits of Asia's growing prosperity.

I am pleased to note that, in March of this year, ADB and the European Commission held a joint conference in Brussels in which many of the experiences and challenges of the two regions were shared and debated, strengthening the partnership between Asia and Europe. Our respective regions have become increasingly interdependent: total trade between Asia and Europe of almost \$1 trillion in 2006. Asian portfolio investments in Europe and European assets invested in Asia have also both grown substantially and, in 2006, each represented more than \$1 trillion.

Ongoing reforms will be needed to further improve the environment for private sector investment. We are pleased that ADB, under its new long-term strategic framework, will take on more work with the private sector. But for the private sector to become a true engine for growth in these countries, they also need sound regulatory and institutional frameworks and infrastructures that allow competitive participation of the different economic agents. Conditions which the Bank can, undoubtedly, promote.

ADB's Role in Development

Ladies and gentlemen, ADB's contributions to the growth of Asia and the Pacific, and to poverty reduction, have been substantial. ADB remains an important regional partner, and a conduit for all of us to participate in the region's progress.

I am very pleased that we have been able to successfully conclude the Asian Development Fund replenishment negotiations here in Madrid. This will allow us to substantially increase our development efforts in the poorest countries.

2008 is an important year for ADB. Last month, the Board of Directors approved the new long-term strategic framework – Strategy 2020 –. This strategic framework, to be completed with ADB's results framework, sets out an ambitious agenda. I would like to highlight two areas.

On the one side, infrastructure operations, with a wide approach to include not only physical assets but also the delivery of related services and institutional capacity building. In this sense, we welcome the emphasis placed on public-private partnerships in this sector, especially in the light of our own experience here in Spain.

On the other, I would like to mention the activities carried out by the Bank in the field of climate change. Asia's growth prospects and energy needs make it clear that one of the biggest battles against environmental deterioration will take place in this region. The fight against climate change is therefore a key goal which should be addressed, horizontally, in all the activities of the Bank.

To meet the expectations of ADB's members, we have to manage and resource ADB efficiently and appropriately. The Bank should also be able

to offer new financing solutions and reinforce its human resources with the required capacities to strengthen the new core areas; with the appropriate tools to the changing needs of developing member countries. I look forward to future discussions on these very important issues.

Spain, Asia and ADB

Let me turn now to Spain and to our long-standing partnership with the Bank.

Today, Spain is a dynamic and modern economy, with high living standards. We are the second largest investor in Latin America. I am convinced that our experience and lessons learnt in our internationalization process, can prove really helpful for Asia and the ADB.

And we are increasingly looking towards Asia. In recent years, Spain has seen its economic relations with Asia become more and more intertwined. Investments in the region have grown and an increasing share of our imports comes from developing Asia. These trends will be consolidated in the years to come, strengthening the links between Spain and the region.

Surely the celebration of this Annual Meeting in Spain opens a new era in the bilateral relations between our country and the ADB. I truly believe that the bank's regional focus and its more than 40 years of operations in the region make the Bank an excellent platform through which Spain can effectively contribute to the development process of the Asia-Pacific region. It is therefore only natural that we would like to underpin this engagement with a larger participation in the capital of the bank. In this regard, we are awaiting with interest the forthcoming debate on a General Capital Increase.

But we cannot remain complacent. Challenges are vast and resources scarce. We expect the Bank to work efficiently. Measuring results and learning from experience. Partnering with others and becoming more responsive to the development needs of its partners. Yet, reform is underway. We commend the Bank for the progress achieved so far, but we urge to keep momentum going. Much remains to be done.

We welcome the initiatives the Bank has undertaken in recent years in the areas of water, clean energy and energy efficiency, carbon markets, climate change, regional integration and urban development.

I am pleased to announce that Spain will contribute with \$ 17 million to support ADB activities on water, clean energy and urban development. We consider these sectors are crucial to improving the living standards, tackling climate change and making progress toward the achievement of the Millennium Development Goals.

Spain has also agreed to significantly increase its contribution to the recent replenishment of the Asian Development Fund, recognizing that we must redouble our efforts with the poorest countries while acknowledging, at the same, time your commitment, President Kuroda, and that of your team, to continue with the reforms needed to effectively deliver this assistance.

Concluding Remarks

Ladies and Gentlemen, the Asia and Pacific region has come a long way. But we cannot forget the crucial challenges that prevail in the world's most populous region. Let me reaffirm our support to ADB and our commitment to create a brighter future not only for Asia's poor, but for all of us in this global community. Spain has been and will remain a dedicated partner in this effort.

Opening Address by the President of ADB

HARUHIKO KURODA

Introduction

Excellencies, distinguished guests, ladies and gentlemen:

It is a privilege to welcome you to the 41st Annual Meeting of the Asian Development Bank – the first to be held in Spain. I would like to thank the Government of Spain, and indeed all our shareholders, for their continued support of ADB. And thanks to all of you for joining us today.

I particularly want to express my appreciation to the Government of Spain and the City of Madrid for their very warm and gracious hospitality and the excellent arrangements they have made. This is indeed a beautiful and inspiring setting for us to talk about a new ADB in a rapidly changing and dynamic Asia and Pacific region.

We draw inspiration from Europe – from its well integrated economies, its investment in people, and its passion for a clean and green environment; and from the European Union, with its commitment to open markets, rule of law and good governance. Adherence to these values has produced significant benefits for all while ushering in an enduring stability and prosperity.

Asia in the Global Economic Environment

Ladies and gentlemen: these are troubling times for the world economy. On the heels of turmoil in the financial markets and an economic slowdown in the US and elsewhere, soaring food prices are hitting the poor very hard.

This price surge has a stark human dimension and has greatly affected over a billion people in Asia and the Pacific alone. Their purchasing power has been eroded placing them at a greater risk of hunger and malnutrition.

In a finely balanced production supply situation, the inventories of food grains are at their lowest levels in decades. Reduced supplies, increased demands, record high energy prices, steep depreciation of the US dollar, and trade restrictions imposed by some countries have all combined to cause the price surge in recent months. The focus must now be on the soaring prices, and our immediate responses.

With high food and energy costs together stoking inflation in Asia and the Pacific, prudent macroeconomic management is essential. Equally critical are measures such as targeted income support to protect the food entitlements and livelihoods of the most vulnerable. With food and fuel together accounting for 75% of expenditures in poor households, the absence of such measures could seriously undermine the global fight against poverty and erode the gains of the past decades.

ADB is prepared to respond with immediate financial assistance to relieve fiscal pressure on affected countries. We will also increase our support to international and national agricultural institutions, such as the International Rice Research Institute and the International Food Policy Research Institute,

whose work is aimed at improving agricultural productivity. Simultaneously, we will continue to finance agriculture related infrastructure such as irrigation systems, rural roads and rural finance in our developing member countries.

Looking ahead, there is good reason to be optimistic about the future. Since the financial crisis ten years ago, the region has become more dynamic and resilient than ever. More open and competitive markets, better fiscal management, reduced short-term external debts, restructured banking and corporate sectors, and more flexible exchange rates provide a buffer against external shocks.

Even in today's uncertain global economic environment, Asia remains a strong and stable contributor to global growth, and a leader in poverty reduction. But this is no time to step back – quite the contrary. The global fight against poverty will be won or lost in our region. And it will depend upon efforts by all of us to boost social and economic development in the region through and beyond the threshold of opportunities.

Matching ADB's Strengths to the Region's Changing Needs

With this in mind, we at ADB have set the stage for powerful change in the way we serve our developing member countries. Our new long-term strategic framework – Strategy 2020 – clearly defines a vision: a vision of an Asia and Pacific free of poverty; a region where the vast majority have joined hands on the path to prosperity. It defines ADB's role in pursuing this vision through inclusive economic growth, environmentally sustainable growth, and regional integration. And it identifies five key drivers of change: the private sector; good governance and capacity development; gender equity; knowledge; and partnerships.

The vision is achievable. And with money and ideas, we can make it a reality. In this context, I am very pleased that donors concluded the ADF X negotiations last week here in Madrid. These vital financial resources – more than \$11 billion – will support progress toward the Millennium Development Goals in our poorest member countries. I would like to thank our donor members for their generous contributions to ADF X. Our next task will be to determine the appropriate level of resources to meet the growing investment needs of all our developing member countries. And I look forward to further discussions with our shareholders on this important issue.

Inclusive economic growth

The challenges of Asia's unfinished development agenda are immense. Hundreds of millions of Asian people remain mired in desperate poverty. We need to make growth more inclusive – to expand access to opportunities so that all can participate, regardless of their individual circumstances. This will require strong, sustained investment in infrastructure and education, as well as in health programs and social services for the poorest.

In particular, Asia's infrastructure demand – estimated at more than \$300 billion a year - needs to be met to ensure inclusive growth and poverty

reduction. Roads, energy, water, telecommunications – these are the lifelines connecting families and communities to a brighter future.

And this makes ADB's role more relevant than ever. Infrastructure development is the single largest share of our lending operations and a key area of our expertise.

Our track record is strong. In Nepal, for example, our Rajapur Irrigation project boosted average household income for small farmers by a very impressive 75%. In Bhutan, an ADF funded electrification project has meant better health and education, more opportunities for poor families to generate income, and less pressure on forests as a source of household fuel. Infrastructure is equally critical in Asia's cities, which will have to provide roads, housing, water and other services to an additional 44 million people annually for the next 25 years.

All of this presents a huge opportunity for investors and partners around the globe to take part in the unfolding success story that is Asia. To this end, we are examining the potential of establishing a dedicated infrastructure financing facility to mobilize resources that complement ADB's own market-based and concessional financing. We welcome and highly appreciate the support and keen interest of member countries in this initiative. By bringing public, private, bilateral and multilateral partners together, I am confident that we can help the region meet this massive challenge.

Environment and climate change

As we do so, we will substantially increase our attention to the environmental consequences of growth – including climate change. Climate change is a fundamental threat to achieving Asia's development objectives, and to life and livelihoods.

ADB will do its part to mitigate climate change and help people cope with altered environments. Through our Asia Pacific Carbon Fund, generously supported by seven European countries, we will provide over \$150 million to cofinance clean energy projects. We are investing an additional \$100 million in five funds to mobilize about \$1 billion for clean energy over the next three years. Our Energy Efficiency Initiative is on track to reach its annual target of at least \$1 billion this year. And our Sustainable Transport program is piloting a number of cleaner, more integrated urban transport solutions.

I am pleased to announce that we will also establish a Climate Change Fund, with an initial contribution from ADB resources of \$40 million. The Fund will allow a more holistic approach to climate change mitigation and adaptation, including forestry and land use, changes in livelihood, health impacts, and increased emergencies and disasters caused by climate change.

Over the past two years, around 15% of ADB projects included environmental components or objectives. As the region's development bank, we must do more. Within the next four years, environment and climate change will grow to represent a significant share of ADB's total lending and technical assistance. We are committed to taking a leadership role in helping

our developing member countries respond to environmental degradation and climate change to create a more sustainable future for us all.

Regional cooperation and integration

As Asian and Pacific countries grow, Asian leaders increasingly see the value of working together to link economies to one another, improve trade and investment flows, strengthen financial systems and protect their economies and their people from cross-border financial, health, environmental and other risks.

The European Union has proven the value of regional cooperation and integration. Asia can learn much from Europe. But Asia also differs from Europe in important ways. Its economic, political, social, institutional and cultural diversity has given rise to a multi-speed, multi-track approach to economic integration.

All subregions of Asia and the Pacific are working toward closer cooperation and integration and it is essential that this continue. We are pleased to be part of such efforts. We have seen in the Greater Mekong Subregion (GMS) the impact on people's lives of such cooperation. From its roots as an alliance for economic cooperation, the GMS program has blossomed into a robust multi-faceted partnership. A partnership that invests in people and programs to create a more inclusive, environmentally sustainable subregion – well integrated within itself, with its neighboring countries, and with the global economy. With similar initiatives underway in South and Central Asia, in the Pacific, and elsewhere, the GMS shows us what can be achieved region-wide.

Demand for ADB's assistance in regional activities is growing: demand for cross-border infrastructure; demand for technical assistance for trade and finance; and demand for regional public goods and knowledge products.

ADB is responding. In addition to substantial funding, we established a Regional Cooperation and Integration Fund last year to support non-lending activities that forge closer links among neighboring economies. And I am pleased that our book "Emerging Asian Regionalism" was launched at this annual meeting.

We believe strongly in the power of regional and subregional initiatives to enhance stability, increase prosperity, and improve the lives of the poor. By 2020, such initiatives will account for at least 30% of ADB's operations.

Partnerships – the Key to Success

These three broad strategic directions – inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration – will characterize ADB's contribution to ending poverty in Asia and, in a larger sense, to global welfare. To accomplish our objectives, we will focus on our own comparative advantages. And we will cooperate closely with our development partners. By complementing each other's strengths and more widely sharing knowledge, together we can close the remaining development gaps.

We have already achieved much through partnerships. A good example is Bangladesh, where, led by ADB, ten development partners worked together

on a very successful project to enhance the quality of primary education. We actively engage civil society, including non-government organizations, in our operations.

We have also established several financing partnership facilities, including those for clean energy and water financing. And in keeping with the Paris Declaration, we are striving for closer collaboration with our bilateral and multilateral partners.

Under Strategy 2020, partnerships will be a key element in planning, financing and implementing our projects and programs. Working together means achieving together what no one sector or agency can achieve alone.

Private sector development

As Asia looks toward a brighter future, strong partnerships with the private sector, across and outside the region, will be essential. A robust private sector is the key to attracting investment and innovation. And it is the source of jobs and economic opportunities for the hundreds of millions of Asian people who today remain unemployed or underemployed.

With operations in both public and private sectors – both under one roof – ADB has a unique advantage in effectively supporting this driver of growth. We support governments' efforts to improve the climate for business and investment, including financial sector development. And at the same time, we offer strong support for private sector driven development projects.

By 2020, we see private sector related projects and programs comprising half of ADB's annual operations, in keeping with the region's development needs. Along with our growing focus on climate change and region-wide issues, this will help transform ADB to better serve the region's evolving needs. We will continue to fund national and regional projects and programs. But we will also substantially enhance our ability to mobilize resources, remove obstacles to inclusive growth, and ensure that Asia's new prosperity is shared by one and all.

Concluding Remarks

Ladies and gentlemen, Asia's development goals are ambitious. And ADB must respond. It will mean more change, strong commitment and greater focus. We will need to reskill and further strengthen our human resources so that we can rise to the challenges of a rapidly changing Asia and Pacific. A review of our human resources strategy, informed by our recently completed staff engagement survey, will be central to this task.

I believe the strategic directions and approaches I have outlined today will make a significant contribution to the long-term social and economic progress of our region. With your ongoing strong support, we can help Asia realize its potential as a fully developed part of the world, a partner in global prosperity, and a beacon of hope for the advancement of societies everywhere.

Statements by Governors*

* In alphabetical order.

Order of Speaking

5 MAY 2008

India	Australia
Japan	Thailand
United States	Philippines
People's Republic of China	Finland
Republic of Korea	Brunei Darussalam
Bangladesh	Pakistan
Malaysia	Denmark
Germany	Afghanistan
Indonesia	Portugal
Hong Kong, China	Turkey
Singapore	Lao People's Democratic Republic
Italy	Canada
Azerbaijan	France

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Cambodia	Norway
Taipei, China	Mongolia
Ireland	Switzerland
Luxembourg	Georgia
Socialist Republic of Viet Nam	Sri Lanka
Pacific Developing Member Countries (PDMCs) ¹	Belgium
The Netherlands	New Zealand
Sweden	Turkmenistan
Kazakhstan	Tajikistan
United Kingdom	Kyrgyz Republic
Austria	Bhutan
Nepal	Maldives

¹ Countries composed of Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. A joint statement was delivered by the Governor for Palau.

AFGHANISTAN

ANWAR UL-HAQ AHADY, Governor

It is my privilege and honor to address this 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). I would like to take this opportunity to express my appreciation to the Government of Spain for hosting this event and for its warm hospitality.

I am pleased to provide a brief overview of recent developments in Afghanistan, and I also wish to make several points regarding the long-term strategic framework 2008–2020 (Strategy 2020).

Afghanistan has had many significant social, economic, and political achievements in recent years. Afghanistan's economy continues to perform well in the face of significant challenges, and the Government is holding firm against opponents of essential economic reforms. GDP growth for Afghan fiscal year 1386 (2007–2008) was 11.5%, and, although inflation has increased to 13%, this was mostly attributable to increasing world prices for food and fuel.

Fiscal policy remains prudent, although due to customs shortfalls we missed our most recent annual revenue target by about 6%. However, we are firmly committed to improving our revenue performance. This will be essential as we strive to reach fiscal sustainability, and reduce our dependence on donor assistance inflows. To that end, and under the auspices of our International Monetary Fund (IMF) Poverty Reduction and Growth Facility program, we have established a number of corrective measures that we will be undertaking in the next few months to put the revenue situation back on track.

As many of you already know, we recently submitted to the World Bank and IMF our Afghanistan National Development Strategy (ANDS), which is Afghanistan's poverty reduction strategy paper. The ANDS will serve as the blueprint for how the Government plans to address its key development challenges over the next 5 years, including making significant progress toward the Millennium Development Goals. In June, we will gather in Paris with our international donor partners to work to align donor assistance with Afghanistan's ambitious development goals.

However, realization of these goals will only be possible with the continued strong support of donors, and we urge our donor partners to step up their commitments at the Paris Meeting. Despite significant achievements in infrastructure development, health, education and economic reforms, poverty remains extremely high and widespread. Afghanistan is also confronting a volatile security situation in some provinces, coupled with a large illicit economy, principally driven by poppy production. The next 5 years will be critical for establishing a fully functioning state—the support of ADB and other major donors will be essential over this period.

As a measure of its significant presence and impact in Afghanistan, ADB is the fourth largest donor. It provides essential multi-year commitments in order to improve the predictability of public finances—a key feature of donor

financing sought by my Government. ADB has thus far pledged significant assistance—expected to total over US\$1.7 billion by 2010.

ADB's work is instrumental in the critical areas of infrastructure development, such as roads and power, and in water resource management and irrigation. Moreover, ADB supports key capacity development efforts and is helping us to establish appropriate policy and regulatory environments in these sectors. These efforts, along with ADB's broader support for private sector development and regional economic cooperation, provide the foundations for a viable private sector and encourage much needed investment.

As the only Asian country that has been formally declared a heavily indebted poor country (HIPC) country, Afghanistan has keenly watched the progress of the Asian Development Fund (ADF) negotiations. We are pleased that the negotiations have been completed and that there will be a substantial increase in ADF resources.

With the introduction of Strategy 2020, ADB is beginning a new chapter as it works to adapt to a changing Asia. We welcome the strategy's focus on infrastructure and on increasing private sector activities, as both are essential for all developing countries. However, we join others who have raised concerns about the robustness of the results framework, and about the shift in focus more toward middle-income country operations. We hope that this focus will not negatively affect countries like Afghanistan—particularly given the provision in ADB's Charter calling for special regard for the smallest and least developed countries.

Our key concern is the small consideration given to ADB involvement in the smaller, poorer countries. As I raised in my discussion of the Eminent Persons Group report last year in Kyoto, we continue to urge ADB to pay greater attention to poorer countries, and, as part of that, to develop greater expertise in post-conflict activities. We hope that this area of operations will be placed on a sounder footing with commensurate concessional funding also being made available.

Although we commend ADB for its continuing efforts to reduce poverty wherever it exists in Asia and the Pacific, we are worried about Strategy 2020's general focus on middle-income countries. We recognize that most of the region's poor live in middle-income countries such as India and the People's Republic of China. However, whereas these more developed national governments are capable of addressing many of their internal issues, smaller poor countries such as Afghanistan are considerably more reliant on large donors such as ADB. We hope that this focus will not be detrimental to Afghanistan and other poorer developing countries.

Undoubtedly, the emphasis in Strategy 2020 on the private sector, in the case of Afghanistan, will have to be graduated and sequenced behind a vibrant program for public sector intervention and investment with ADB support. Nonetheless, infrastructure is one of the most important elements

of the enabling environment for private-sector-led growth—as such, we view these two themes as complementary.

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

ARMENIA

VAHRAM GHUSHCHYAN, Alternate Governor

It is with great pleasure and honor that I speak for the Republic of Armenia at the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). Please allow me to thank the organizers of this event as well to pass my greatest respect to the Spanish people for their warm hospitality.

For the last 6 years Armenia has experienced annual double digit economic growth, while keeping the annual inflation rate below 5%. We have been able to significantly reduce the level of poverty and to increase the social welfare of our citizens. This has been a result of coordinated work between different branches of the Armenian Government as well as targeted support from the international community, including ADB. However, there are still many challenges that we have to overcome. While the first-generation reforms are successfully over, Armenia has to aggressively implement second-generation economic reforms to maintain the high rate of growth.

We need to decrease the technological gap between Armenia and the developed world. Armenia is in the stage of investment-driven growth and we understand the importance of full technological transfer. Armenia needs to be as productive as developed European and Asian countries. For this to become a reality we have to build state-of-the art infrastructure for a knowledge economy. Knowledge is the most valuable asset of the 21st century and we intend to become an important supplier of this asset.

Armenia has been a member of ADB since September 2005. The Armenian Government is thankful for ADB's support in rural development, private sector development, and regional cooperation. We anticipate that resources will be channeled in the most effective and efficient way. Our experience with ADB leads us to believe that it will respond to Armenia's needs through well-designed projects. We expect that various kinds of financial and technical instruments will be deployed to support the country's sustainable economic growth, development of infrastructure, improvements to regional trade, and investments and cooperation.

Recently Armenia has formed a new government which has the political will to make Armenia a more democratic country and a center of excellence

for running a business, producing goods, and providing services. The new government has announced five national programs.

- Armenia should be the most competitive place in which to conduct a business in the region.
- Armenia will introduce e-governance with the aim of having one-window entry for the investors in 5 years, with 80% of government services being provided online.
- Armenia should become one of the most popular travel destinations worldwide.
- Armenia should become a regional financial center.
- Armenia should become a regional health center.

Together with building a knowledge economy infrastructure, these are going to be the main directions of support that we anticipate from the ADB.

Today's meeting is also important for sharing experiences with ADB and other member countries, and in defining priorities and developing actions that will lead us to a region without poverty. We believe that ADB can serve as a gateway for new opportunities for new members and that it will be a reliable long-term partner for its members, as they try to cope with the challenges of development.

In conclusion, I would like to thank the ADB President, Mr. Kuroda, and his management team, as well as to stress our commitment to partnership. We are ready do our best to help to create a more prosperous, dynamic, and harmonious region.

AUSTRALIA

NICK SHERRY, Head of Delegation

On behalf of the Government of Australia, let me thank the Government of Spain for hosting this 41st Annual Meeting of the Asian Development Bank (ADB).

It is a pleasure for me to be here at my first meeting representing the new Australian Labor Government headed by Prime Minister Kevin Rudd. The Prime Minister has established an early priority of reinvigorating our relations particularly in the Asian region. In this case that means multilateral engagement, of which ADB is an important element.

Long-Term Strategic Framework

I would like to congratulate President Kuroda and his staff on the recent launch of ADB's long-term strategic framework (Strategy 2020) and successful negotiations on ADF funding. Australia has maintained its burden share and will continue to be the third largest donor to the ADF.

The new Government in Australia is embarking on its own process of planning between now and the year 2020, a time that will be upon us faster than many think. We appreciate the extensive consultation ADB has undertaken and consider it represents the overwhelming majority of stakeholder views.

ADB is an important regional partner for Australia. ADB will continue to play an important role in promoting development in Asia and the Pacific region.

Australia supports ADB in maintaining its poverty reduction mandate, promoting sustainable inclusive economic growth, and fostering open regional cooperation in the Asia and Pacific region.

We also support ADB's focus on providing assistance in the areas it is good at. ADB has built a strong reputation in delivering quality infrastructure projects and we support ADB continuing to provide substantial assistance in this area.

A continued emphasis on developing financial markets and removing barriers to private sector activity is also important.

Trade

Food security is currently a major issue facing many of ADB's member countries.

A key means to address food security as a result of higher food prices will be through a successful conclusion of the World Trade Organization (WTO) Doha round.

More generally, trade liberalization is integral to sustaining poverty reduction. A successful conclusion of the Doha round is crucial. Both developed and developing countries need to demonstrate the necessary political will and flexibility to conclude the Doha round in 2008. We encourage all ADB members to do what is needed to ensure that this opportunity is not lost.

We support the constructive role ADB can and should continue to play in terms of assisting its members to fully capture the benefits from participation in a liberalized multilateral trading system.

Climate Change

Australia is committed to a global solution on climate change and the first action of the Rudd Government was to sign the Kyoto Protocol. Asia will have a crucial role in this solution—around a quarter of carbon dioxide emissions are currently sourced from Asia and this is expected to increase to about a third of world emissions by 2030.

Australia therefore endorses ADB's increased focus on climate change activities, which, combined with other donor efforts, will help developing countries combat climate change.

The Pacific region

Along with Asia, the Pacific is a key development priority for Australia. Australia will be forming a number of partnerships with Pacific countries, but we cannot do this alone. We will increasingly engage with other donors and

multilateral institutions, including ADB, to work with us in the Pacific and beyond. We will do so with a joint vision of fighting poverty.

Effective implementation

Achieving an agreed vision and strategy among a number of stakeholders is a monumental step. However, it is only the first. Plans and visions amount to little if they are not effectively implemented.

That is why Australia will give the ADB President our full support and the space when needed to effectively implement ADB's strategy.

An efficient organization

Ongoing internal reforms will be essential for ADB to be in the best shape to implement its strategy.

I commend ADB for developing a results-based reporting system. However, like many other donors, including Australia, we note that this reporting system is still in its infancy.

It will require sustained effort to embed it within the organization and no doubt will need to be refined over time. We expect ADB to strive for, and even set, best international practice.

We also endorse the reforms ADB has already announced in the areas of human resources management. The staff and member countries will look to the ADB President to champion these reforms and ensure their effective implementation.

There are some further challenges and reforms we will continue to ask ADB to pursue. Adopting a universal procurement policy will lead to more effective development outcomes—and it means that we can stretch our aid dollar further.

Likewise, the ability of the Operations Evaluation Department to identify systematic strengths and weaknesses of ADB will be essential for ongoing performance improvements.

Adequate resourcing

With a confirmed mandate and updated strategy we agree it is timely for ADB to review the resources it requires to implement this strategy.

We expect these funds will be used effectively to help the poorest of the region overcome entrenched poverty.

In endorsing Strategy 2020, Australia recognized the need for a discussion about appropriate resourcing for ADB. We appreciate that without a further injection of capital ADB will need to reconsider its planned level of operations.

However, ADB needs to be careful. While quantity of assistance is important it goes hand in hand with the quality of assistance.

That is why, before considering a contribution to a general capital increase, Australia will need to be confident ADB's that existing capital is being used as effectively as possible.

We will also carefully examine ADB's capacity to deliver a substantially increased lending volume.

Ultimately, we expect ADB's results reporting system to credibly demonstrate that ADB is providing effective and targeted assistance to reduce poverty in our region.

ADB has made great progress. Yet, many challenges still lie ahead. We look forward to working in partnership with ADB to address these challenges.

AUSTRIA

MARCUS HEINZ, Alternate Governor

I feel very honored to address this Annual Meeting of the Asian Development Bank (ADB) on behalf of Austria. Let me join previous speakers by thanking the Government of Spain for its excellent organization of this meeting and the hospitable and warm welcome we have received in Madrid.

Current Economic Development, Poverty and Inequality

We are facing challenging times. The overall macroeconomic conditions in Asia are still favorable and the region as a whole is still showing high growth rates. Overall, recent fast economic development has contributed to falling levels of poverty in many countries. Thus, Asia is well placed to achieve the Millennium Development Goals (MDGs) by 2015.

However, Asia, as any other region, is not immune to shocks. Strong signals of changing market conditions have to be watched carefully. The financial market crisis, inflationary pressure from rising oil prices and the current surge of food prices may put at risk development targets already achieved. From the current food crisis, we have learned how sensitive development outcomes are and that food security, which is currently under threat, is crucial for stable social and economic development.

As people living on the margin of poverty are vulnerable and most affected by rising prices, poverty is likely to increase. In such a case, ADB will have an active role to play in countering this trend. We therefore call on ADB to investigate possible measures to mitigate the negative effects of the food crisis and to consider additional partnerships with specialized agencies to address the problem effectively.

Reforms, New Orientation of ADB, Long-Term Strategic Framework

In order to meet the future needs of the region and to be more effective and client-oriented, ADB recently approved the long-term strategic framework 2008–2020 (Strategy 2020). For many of us, 2020 appears to be too far away to give clear predictions of what Asia will look like and what the exact needs will be at that time. Given this uncertainty, we would like ADB to

remain flexible and capable of responding quickly and effectively to changing circumstances.

We welcome the selection of the five focus areas within Strategy 2020, as it is important for ADB to concentrate on its strengths. In view of the current market developments, we believe that the following two points are of particular importance for the future orientation of ADB. First, an overall cautious approach on financial issues is essential. This includes lending policies and capital adequacy considerations alike. Second, we definitely welcome the proposal that 20% of the total allocation within Strategy 2020 is not attributed to any of the core sectors. We consider this crucial if ADB is to remain flexible and to respond to changing needs of the borrowing countries over time.

One of the core sectors of ADB's activities defined by Strategy 2020 will continue to be infrastructure. We support this choice as infrastructure is key driver for economic growth. However, infrastructure does not automatically promote sustainable and inclusive development. ADB should target those infrastructure investments that show constant and clear benefits for the poor.

The new strategic orientation of ADB clearly goes hand in hand with an expansion of private sector activities. If it is to explore new fields of operations, it will be important for ADB to stay relevant and to meet its clients' needs. We support this development. Nevertheless, it is of utmost importance to call for prudence, as with the expansion of private sector operations ADB's exposure to financial risk will certainly increase.

Furthermore, the expansion of private sector activities in ADB's portfolio should be managed with distinct prerequisites in mind: above all, the proper functioning of the private sector depends on national regulations and good governance within the public sector. Therefore, capacity and institution building programs have to remain an area on which ADB concentrates and expands its activities. Moreover, we encourage ADB to pay more attention to the potential for synergies between public and private sector operations such as public-private partnerships.

We would like to inform you that only last month the Development Bank of Austria started operating with the objective of furthering private sector activities. This new instrument of Austrian development cooperation aims to promote private sector activities with a clear development impact. The Development Bank of Austria is looking forward to partnering effectively with the ADB.

New Initiatives: Climate Change and the Water Sector

Closely linked to economic growth and the provision of infrastructure is the supply of energy. Asia's demand for energy is expected to increase at a much faster rate than we currently observe. This will present a big challenge for the region and ADB to find answers to the increasing demand for energy in a timely and sustainable way. To meet supply needs, ADB will have to be at the forefront in the use of clean energy. In particular, ADB has to promote new technology which is not yet financed by the private sector and which will

have a demonstration effect for similar investments. In summary, we urge ADB to follow a low-carbon growth policy with increased emphasis on renewable energy and energy efficiency. In this context, we particularly welcome ADB's Clean Energy and Environment Program.

As the supply of energy will be so important for the region, we consider ADB's new energy policy to be crucial and we hope it will be finalized in the course of 2008. The new energy policy will have to address important issues such as energy security, energy efficiency, and clean energy, but will also have to take into account implications of climate change and global warming. As this, again, is an important area, in which we believe that ADB has a clear comparative advantage, we expect the finalized energy policy to reflect that.

A good example of "infrastructure for the poor" is the provision of clean water and sanitation services. Rapid population growth and the expansion of urban dwellings require substantial investment in urban areas in the future, which often cannot be met by local authorities. Without doubt the provision of clean water is essential for meeting basic needs and to increase the living standard of the poor substantially. We particularly welcome ADB's Water Financing Program and we strongly encourage ADB to increase its lending volume in this sector. To show strong commitment, we are pleased to announce that Austria has just joined ADB's multidonor Water Fund with a contribution of US\$5 million. As we see the urgent need for more financial resources in this area, we also would like to invite other donors to follow our example.

We have just finalized the ninth replenishment of the Asian Development Fund (ADF X), with the highest volume ever of financial resources available to the poorest countries in the region. We particularly welcome the high internal resource transfer to the ADF. This is an important sign of solidarity within the region and regional ownership. This coincides with the mandate of a regional development bank and we emphatically support this vision of ADB: above all, ADB must remain a development bank for the region of Asia. To show our commitment and the trust we have in Management, Austria also increased its burden share in the fund.

Evidently, the development effectiveness of total ADB operations is of utmost importance to us donors. Our future contributions to the ADF, to Special Funds and to ADB will be guided by this principle. We thus welcome the development effectiveness review and the commitment to a results framework for the ADB. This is a milestone for ADB in our view.

To conclude, let me reiterate the words from the beginning of my speech: "We are facing challenging times." ADB must play an active role to rise to these challenges. Internal reforms, a clear vision and the President's guidance will be necessary for a focused and effective bank in the future. You can count on our full support in this process. Finally, let me also thank President Kuroda, the staff of the ADB as well as our Executive Directors for the very professional work of last year.

AZERBAIJAN

HEYDAR BABAYEV, Governor

On behalf of the Azerbaijan Government, I would like to express deep appreciation to our host, the Government of Spain, for setting up an excellent environment for the 41st Annual Meeting of the Asian Development Bank (ADB) Governors.

As the Governor for Azerbaijan, I would like to commend ADB's remarkable performance in 2007, with a record high lending volume of more than US\$10 billion. I am pleased to note in this regard, that Azerbaijan was one of ADB's 10 largest public sector borrowers in 2007 with a loan for a highway development project of about \$200 million. In summary, 2007 was one of the most successful years for ADB and a number of its developing member countries, and I am proud to report that Azerbaijan's economy was one of the world's fastest growing economies with real GDP growth of 34.5% in 2006 and 25 % in 2007. As a result of the unprecedented economic growth, Azerbaijan's GDP almost quadrupled over the past decade and is poised to double in the coming few years.

With GDP per capita reaching almost \$3,800 in 2007, Azerbaijan's economy will remain the largest in the Caucasus region in the foreseeable future. To provide an overall picture of Azerbaijan's recent economic achievements and future perspectives, please allow me briefly outline some significant performance benchmarks.

Backed by the increased oil exports, the country's foreign exchange reserves grew by 72% and reached about \$4.3 billion at the end of 2007. We expect the oil revenue to exceed more than \$300 billion over the next 10 years. While foreign direct investments served as the major growth vehicle at the start of the current oil boom in the mid-1990s, domestic investments in the non-oil sector have grown at a faster pace recently and constituted about 60% of all investments in 2007. State budget revenues increased by about 55% and expenditures by about 60 % in 2007 with a budget deficit of just 0.2 % of GDP.

On the back of these remarkable macroeconomic achievements, we also recognize the threat of rising inflation. And the Azerbaijan Government will be taking a series of anti-inflationary measures.

Poverty reduction has been high on the Government agenda in the past decade, and the country's poverty level was reduced from about 49% in 2001 to about 20% in 2006 and down further to about 16% in 2008. The Government has taken positive actions through the implementation of a number of important state programs to ensure sustainable economic and social development and balanced economic growth outside the oil sector. A recently completed Program for Economic and Social Development of the Regions (2004–2008) has been one of the most important of these initiatives. This program has been aimed at improving the living conditions and standards

of the people, especially the poor, by creating new business opportunities and jobs, promoting efficient use of scarce resources, and improving access to essential services, such as electricity, water and sanitation, education and health.

Touching upon Azerbaijan's major development challenges, I could not skip mentioning the problems of territories occupied by Armenia that has resulted in 1 million refugees and internally displaced people in Azerbaijan. Most of these people lived in tent camps and similar temporary accommodations until recently, and the Government has been putting together huge efforts and resources to provide them with decent housing and create new employment opportunities.

As outlined in the ADB's long-term strategic framework (Strategy 2020), poverty will remain the central challenge facing the region, and reducing and eliminating poverty in the region will remain our ultimate goal.

I am pleased to note the increased emphasis in Strategy 2020 on private sector development and private sector operations as one of the major drivers of change. We fully support the notion of increased private sector participation in the region's economic development, and we welcome ADB's active involvement in Azerbaijan's private sector development. We believe that there is a much higher potential for cooperation between ADB and Azerbaijan, and from our side, we are committed to realize this potential to the most extent possible.

Azerbaijan supports five key priorities (infrastructure, environment, regional cooperation and integration, finance and education) defined in Strategy 2020. Asia's growing demands require ADB to remain relevant to the needs of its developing member countries. I note that an increase in lending may lead to the depletion of ADB's borrowing headroom and therefore require a general capital increase for ADB in future. It is time for ADB to avoid "business as usual" and instead to take decisive and coherent measures to provide adequate assistance to developing countries by increasing its resources and capacity building.

Finally, I would like to emphasize the importance of developing further partnerships with key international institutions and strengthening regional cooperation. Azerbaijan is a member of all key international and regional financial institutions, such as the International Monetary Fund (IMF), the World Bank, the European Bank of Reconstruction and Development (EBRD), the Islamic Development Bank, and ADB. ADB is the most recent international institution that Azerbaijan has joined. This means that we are still at the initial stage of our cooperation, and there is a great potential for taking our cooperation at a higher level in the years to come.

Being geographically located at the crossroads between Europe and Asia, Azerbaijan has historically served as the natural transit point for trade flows between these two regions. In recent times, Azerbaijan has been a member of a number of key regional cooperation initiatives, including the European Union-sponsored TRACECA program, the United Nations-sponsored

SPECA, and ADB-sponsored Central Asia Regional Economic Cooperation program (CAREC)¹ initiative. We are pleased to note that Azerbaijan is a host to major CAREC events this year, and we are looking forward to a successful CAREC Ministerial Conference in Baku in late November this year. With this last note, let me conclude my statement by wishing all us a successful Annual Meeting and peace and prosperity to the people of our countries.

BANGLADESH

A.B. MIRZA MD. AZIZUL ISLAM, Governor and Head of Delegation

I am delighted to have the privilege of addressing the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) in this beautiful capital of Spain. I would like to express my sincere appreciation to the Government of Spain and the ADB Secretariat for their warm hospitality and excellent arrangements for the meeting. I would also like to put on record the appreciation of my Government to ADB for being a responsive and responsible development partner of Bangladesh over many years.

While expressing satisfaction at the finalization of ADB's long-term strategic framework 2008–2020 (Strategy 2020), I should like to stress that a strategy is only as good as its implementation. I hope that the member countries and ADB secretariat will pool their efforts to mobilize resources for effective implementation of the framework. In this context, it should be emphasized that in most developing countries private-sector-led development cannot proceed smoothly without adequate complementary public investments for the provision of a wide range of utilities and public goods. The role of the public sector, therefore, should not be de-emphasized.

The successful completion of the Asian Development Fund (ADF) is welcome, but the limited donor contribution is a source of disappointment.

We have reservations about the performance-based allocation. Inadequate or no attention is paid to the incidence of poverty and the size of population and high weight given to governance, the measurement of which is subjective and possibly arbitrary. These are areas of concern. The greatly reduced ceiling will affect the on-going development efforts of the “blend” countries like Bangladesh, which are eligible for funding from both the ADF and ordinary capital resources (OCR). I would request ADB to revisit the performance-based allocation criteria. I would also urge ADB to pay greater attention to the heightened need for adaptation and mitigation measures against natural disasters caused by the global climate change and to allocate adequate resources for this purpose.

¹ Central Asia Regional Economic Cooperation Program includes 8 ADB member countries: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China, Tajikistan, Uzbekistan.

Let me say a few words about Bangladesh. You are probably aware that the present Government, while remaining focused on holding a credible election free from the influence of black money and muscle power, has implemented wide-ranging institutional and policy reforms. These reforms straddle diverse areas of political, administrative and economic governance. The country is on track to achieve a number of Millennium Development Goals. However, these achievements, resulting from years of painstaking efforts, by both private and public sectors, as well as future progress are presently under threat. Two consecutive severe floods and a devastating cyclone last year have affected food production and growth performance. The increase in international prices of food, oil and non-oil commodities is exerting a negative impact on both external sector and fiscal balance. In particular, the dramatic increase in the price of food grains poses a serious risk of regression from our hitherto satisfactory progress in poverty alleviation. It is time for the international community to mount concrete actions to provide support to net food-importing countries such as Bangladesh.

Let me conclude by expressing optimism that ADB will remain our valuable partner in accelerating the process of equitable and inclusive development.

BELGIUM

FRANCISCUS GODTS, Head of Delegation

I wish to thank the Spanish authorities for inviting us to this magnificent city of Madrid, and the Spanish people for their warm hospitality.

The negotiations for the ninth replenishment of the Asian Development Fund (ADF X) were completed just before our meeting. The end result is satisfactory. The major part of the resources mobilized were, however, internal ones and the performance of several recipients in poverty reduction deserved more generous contributions. Several major recipient countries of the region still face endemic absolute poverty, particularly when considering that, according to the Organisation of Economic Co-operation and Development (OECD), official development assistance has dropped to 0.28% of gross national income. Beside the issue of financing, donors have also attached to their report an action plan aimed at finalizing a reform agenda started 4 years ago. Some of these have become urgent and are essential for the smooth implementation of ADF X. We urge Management to stick to this action plan.

Another point worth mentioning in those times of financial turbulence is that the ADF recently adopted special drawing rights (SDR) as unit of account. Considering the impact of the exchange rates on the lending headroom of ADB and on the salaries of expatriate professional staff, it would be useful to study whether SDR should not become the unit of account of the Asian Development Bank (ADB).

Belgium welcomes the forthcoming review of ADB's capital resources. The increase in the lending capacity of ADB seems a logical outcome of the vision of the region shared with us by the Eminent Persons Group in 2007 on what the region would look like in a decade. The key question arising from this vision is the relevance of ADB assistance, which in our view is not only a matter of agenda but also a matter of the volume of financing. We know very well that people react to incentives and, in particular, to financial incentives. In this respect, we learned recently from ADB that its commitment capacity might drop significantly in the coming months and even be brought back to the level of a decade ago, in sharp contrast to the tremendous increase of the size of the economies of several of its borrowing members. This would make it difficult to pursue a meaningful policy dialogue, to have a chance to see our priorities taken into account, or to see our standards complied with.

With regard to standards, Belgium is concerned by the weakening of the social and environmental standards in the review of the safeguard policies initiated recently. Belgium considers that one of the values that a development bank can add is strengthening such standards and enabling the executing agencies to make them current practice. An update of these safeguard policies which would be satisfactory to all parties concerned—shareholders, stakeholders, partners—and which would stand comparison with those of other international financial institutions (IFIs) should be a prerequisite to a capital increase. Finally, if a capital increase is proved necessary, it would also be advisable to design solutions that require no contributions, which we think is possible, before envisaging a contribution from shareholders which should in any case be kept as low as possible.

Others may argue that there are trillions of dollars “in the market” ready to be invested provided the business environment and the legal, regulatory and governance frameworks are satisfactory. This would be too good to be true. Almost 90% of private investments still target the same half-dozen countries and within those countries, the same areas and sectors. Present uncertainties should reinforce this trend. One cannot, therefore, take it for granted that those resources would be invested where they are the most relevant to our agenda. On the other hand, most of the initiatives implemented by the IFIs for decades to use their resources as a catalyst or to leverage private investors have shown mixed results, to say the least. Finally, the lending practices from the market, in particular the loan maturities, would not be appropriate for the type of projects we pursue.

Another good reason for a capital increase is that we shareholders are regularly asking the IFIs and ADB in particular to add new and costly priorities in their agenda. We had hardly started to request action against climate change when we were forced to talk about the looming food crisis. Last week, the ADF deputies expressed concern about this issue and endorsed in the donors report the proposals of management on the role of ADB in this issue. Let me emphasize that a key issue in increasing supply is to pay much more attention than in the past to the 1.3 billion small farmers in the world struggling to

survive. They have been neglected to focus on meeting the demands of urban populations for imported food. I would also add that, sadly, ADB has dropped agriculture from its core activities in Strategy 2020. This choice brings me to repeat once more that, for Belgium, selectivity should not be decided *ex ante* on the basis of sectors but country-by-country on the basis of a policy dialogue with the authorities of each borrower.

ADB recently finalized its long term strategic framework 2008-2020. Belgium supports the three pillars of the framework but one of them, regional integration, calls for some comments. The negotiations of ADF X briefly touched upon this theme, mainly to justify earmarking of resources for it. Most of us are, of course, in favor of regional integration, but some of us remain to be convinced that the approach is adequate. Looking at the pipeline, one sees various pieces of different puzzles instead of elements of a coherent and broader vision. Asia needs to develop a much more systematic approach, as the European Union (EU) did with its transEuropean networks. Although Asia is less integrated than Europe, such an approach can be initiated at the level of subregional associations such as the Association of Southeast Asian Nations (ASEAN) or the Commonwealth of Independent States (CIS). The EU has drafted a broad long-term plan that has subsequently been endorsed by the authorities of the member states. It identified bottlenecks preventing goods, services, information and people from circulating smoothly and listed in a “white book” priority projects aimed at alleviating them. The final objective is to boost overall regional growth by efficiency gains. Sectoral plans have been designed in transport, telecommunications and information technology, and energy. Today, each project submitted for approval includes a reference to this white book and its rationale and relevance is no longer questioned. ADB could invite its member countries to replicate this and support it with its regional technical assistance program.

To conclude, Belgium has always had the highest regard for ADB and its achievements. We firmly believe that ADB will finalize the reforms it has been invited to make so it can remain a key channel of development assistance for its regional member countries.

BHUTAN

NIM DORJI, Alternate Governor

At the outset, I would like to convey the apologies of our Governor, the Honorable Finance Minister, who is unable to be here today due to other pressing engagements. He has, however, asked me to convey his sincere apologies and best wishes for successful 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB).

It is a great honor for me and my delegation to attend this meeting of ADB. I would like to join the other Governors in expressing our appreciation

to the host Government and the people of Spain for the warm reception and hospitality extended to us. I bring to this gathering the warm greetings and best wishes from our new Government, which was recently formed after being elected for the first time through an election on 24 March 2008.

I would like to state that Bhutan is pleased to note the progress achieved in implementing many of the new initiatives of ADB under the leadership of President Kuroda.

We strongly support the new initiatives to address the consequences of climate change and global warming. We also firmly believe that such important initiatives will complement the creation of a Clean Energy Trust fund, which will help developing member countries (DMCs) to promote environmentally sustainable energy use.

Since Bhutan has significant but still largely untapped renewable hydropower potential, the Royal Government is deeply committed to pursuing an accelerated hydropower development policy. Harnessing our potential, which could be for domestic as well as regional use, would have positive impacts on the global environment as exports of clean hydropower electricity would reduce fossil fuel burning and greenhouse gas emissions. However, such efforts require not only capacity building but, given the capital-intensive nature of such projects, finance. In this context, I am pleased to report that, with ADB's support and its catalytic role, public-private partnerships are being promoted for hydropower projects. Continued support in this area will be very important.

We are happy to note that the negotiations for the ninth replenishment of the Asian Development Fund (ADF X) have been successfully completed, with a substantial increase in the ADF, which should result in an increased allocation for the DMCs. We thank the donor countries for their contributions to the ADF. We also appreciate the higher transfer of resources from OCR net income to the ADF.

Under the current performance-based allocation (PBA), Bhutan, although a star performer, has never been rewarded in the form of an increased allocation. Instead, its country allocation from ADF declined from SDR44 million in 2005-2006 to SDR26 million in 2007-2008. We urge the ADB Management to review the PBA criteria to lessen the volatility of ADF allocation and to allow countries like Bhutan to make longer-term plans based on predictable resources so they can implement their medium-term fiscal frameworks.

The new long-term strategic framework (Strategy 2020) commits ADB to an enhanced role in the development of a poverty-free Asia. We fully endorse Strategy 2020. We are hopeful that its operational details will take into account the special needs of small and vulnerable land-locked countries like Bhutan.

Currently, the Royal Government is in the process of finalizing the 10th Five Year Plan for 2008–2013. Poverty reduction is the key thrust of the plan, with the overarching goal of realizing our development philosophy of gross national happiness. In addition to envisaging reforms in the corporate

and public sectors, new initiatives such as results-based management and the transfer of block grants to local governments will take place during the 10th Five Year Plan period.

The 10th round table meeting held in Bhutan in February 2008 has given fresh momentum to the process of mutual cooperation and consultation between the Royal Government and its development partners. We would like to extend our heartfelt gratitude to ADB and all other development partners for their participation and their continued support. According to the United Nations Millennium Development Goals (MDGs) needs assessment, Bhutan is well on track to achieve most of the MDGs by 2015. However, concerted efforts and continued donor support will be key to this.

Finally, I would like to take this opportunity to tell the 41st Annual Meeting that the first historic national assembly under the democratically elected new Government in Bhutan will begin on 8 May 2008. Among other matters it will deliberate and adopt the constitution of the Kingdom of Bhutan. As we carry out these momentous changes, we would like to solicit the continued support and cooperation of our developing partners, such as ADB.

BRUNEI DARUSSALAM

PEHIN DATO ABD RAHMAN IBRAHIM, Governor

I am very privileged to be present here today at this Annual Meeting. On behalf of my delegation, I would like to thank our host country, the Government and the people of Spain, for their cordial reception and excellent arrangements.

The global economic landscape has shifted less favorably since our meeting in Kyoto, Japan, last year. It has been seriously affected by the financial market crisis, which stemmed from the subprime problems in August 2007. The current crisis has developed into the largest financial shock since the Great Depression. It has clouded growth prospects. In fact, the world is bracing for a possible recession. This will undoubtedly have serious repercussions on the ongoing efforts by the Asian Development Bank (ADB) to tackle the issue of poverty, the main challenge facing the region.

With more than 600 million people in the region still living in absolute poverty, we are deeply concerned that the current situation will worsen, with unprecedented spikes in world food prices, in addition to the global economic slowdown. The current development in grain markets is already raising global concerns that it may expose billions of people to hunger and malnutrition. Evidently, many countries are nervous over increasing prospects of social unrest.

It is therefore imperative that concerted and forward-looking efforts are made to curb the situation from getting worse—otherwise we are heading for a catastrophe that will reverse all the valuable efforts we had made in poverty reduction. Poverty holds us back. It stunts economic growth, increases

pressures on our education and health services, and stores up problems for the future.

Against this backdrop, we are particularly pleased to note that ADB will embark on its new long-term strategic framework 2008–2020 (Strategy 2020). It is a very comprehensive document and the timing could not be more appropriate. We staunchly support its vision of an Asia and Pacific region free of poverty. A similar aspiration is shared by Brunei Darussalam. Recently His Majesty, the Sultan and Yang Di-Pertuan of Brunei Darussalam, gave a speech categorically urging all the parties concerned to work with full dedication to ensure that Brunei Darussalam achieves zero poverty. Strategy 2020 focuses on three complementary strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration. We sincerely hope that the Strategy 2020 and the valuable lessons learned from the review of the previous long-term strategic framework (2001–2015), will succeed in eradicating poverty, improving the quality of life, and achieving sustained and equitable development by 2020.

Strategy 2020 points to the important ingredients for growth and poverty reduction. A stable macroeconomy with reasonably low levels of inflation, responsible and sustainable levels of public debt, an improving investment climate, higher agriculture productivity, and a fair and transparent global trading system are crucial. However, we strongly believe that investing in people—providing decent education and health care, thus promoting capacity development—is the best way to alleviate poverty.

In this regard, it is encouraging to learn that Strategy 2020 continues to recognize and attach paramount importance to capacity building as a core area of the ADB's operations. Access to education and vocational training is necessary for more inclusive growth. Member countries must make education an explicit objective of national development and poverty reduction strategies. There must be continuous investment in this area.

The reason is very simple. Individual member countries rely fundamentally on their own efforts, especially in implementing reforms needed to improve economic performance. Unfortunately, countries often lack the capacity to implement needed reforms, even with funding. Capacity constraints remain one of the major obstacles to sustainable development in the Asia and Pacific region.

We are particularly pleased that, as clearly indicated in Strategy 2020, ADB is looking seriously at monitoring the progress and results of its development efforts. Development effectiveness is a major issue faced by programs, technical assistance, and development funding. We therefore welcome the special evaluation study on the Asian Development Fund (ADF) VIII and IX operations initiated over 2001–2008 by the Operations Evaluation Department. We also appreciate a similar study on the long-term strategic framework: lessons from implementation (2001–2006). It is hoped that these studies will provide the ADB with the information needed to improve guidelines or reforms, be it in terms of results frameworks,

monitoring indicators, a data management system, budgeting, performance-based appraisal or other mechanisms to improve the success rate of its operations. Nonetheless, we acknowledge the efforts that have already been taken by ADB in this area.

Finally, let me congratulate ADB on all the achievements made so far. With the launching of Strategy 2020, we are confident that ADB will remain relevant to all member countries and can withstand the test of time. I would also like to join other governors in wishing President Haruhiko Kuroda and the ADB Management great success in all their efforts in the years ahead.

CAMBODIA

AUN PORN MONIROTH, Head of Delegation

It is a great honor for me to represent the Royal Government of Cambodia at this 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) and to address this distinguished gathering. I express our deep thanks to the Government of Spain and the people of Madrid for the warm hospitality extended to us while staying in this beautiful city. I would also like to express our sincere gratitude to ADB's management and staff for the excellent arrangements made for this meeting.

Let me join the previous speakers in offering our condolences to the Government and people of Spain for the loss of their former President, Excellency Leopoldo Calvo-Sotelo. Our sympathy also goes to the people of Myanmar for the tremendous losses and suffering caused by the recent cyclone.

ADB is now 41 years old and we must take great satisfaction and pride in its cooperation with the governments and people of Asia and the Pacific over four decades. In this period, the region has seen unparalleled progress, although many challenges remain to be overcome. The region has continued to show impressive growth in 2007 and 2008, but at the same time is facing increasing downturn risks due to the global financial turmoil, a sharp economic slowdown in the US, and rising oil and food prices. This could undermine the growth momentum crucial to meeting the Millennium Development Goals (MDGs) and wipe out the progress gained over the last couple of years. Asian economies must be vigilant and continue to pursue sound macroeconomic policies and structural reforms to sustain growth to cope with these new challenges. It is vital now that ADB responds quickly to the needs of the member countries to address these difficulties.

Let me congratulate President Kuroda for the successful ninth replenishment of the Asian Development Fund (ADF X). We commend his and his colleagues' tireless efforts and dedication to concluding this process of resource mobilization and for the outstanding result, which will offer encouragement to countries in Asia and the Pacific as they strive to achieve the MDGs. I would also like to take this opportunity to thank the ADF donor

countries for their generous contribution to ADF X and for their commitment to development and poverty reduction in Asia and the Pacific region.

We are pleased to note that, after one year of consultation, ADB has listened to the voices of the low-income countries. As a result, the vision of an Asia and Pacific region free of poverty remains in its long-term strategic framework 2008–2020 (Strategy 2020). We applaud the three strategic directions of ADB under Strategy 2020 and its five key drivers of change. However, we urge ADB to be flexible enough in its operations to ensure the responsiveness and sensitivity to the specific needs of the member countries. We welcome the expansion of the private sector operations of ADB and its portfolio increase of up to 50% of ADB total lending in developing member countries (DMCs), but urge that this should not be at the cost of financing for public sector projects.

Moreover, I would like to stress the importance of the agriculture sector. Regrettably, this is not a priority sector in Strategy 2020. Given the recent development in the rise in global food prices, ADB must attend to the need for interventions in agriculture and food security in the region.

In this spirit, we urge ADB to work out, as soon as possible, a well prioritized and well sequenced action plan for Strategy 2020 implementation in consultation with all stakeholders. We are of the view that there may be a need for mid-term evaluation of Strategy 2020 to allow for corrections and amendments within the implementation period.

We are very encouraged by the recent adoption of ADB's results framework. The institutional transformation of ADB is necessary to ensure a system and competencies are in place to effectively manage the implementation of Strategy 2020.

Cambodia strongly supports ADB's role in promoting and facilitating regional cooperation and integration. We greatly appreciate the catalyst and leadership role ADB has been playing in the Greater Mekong Subregion (GMS) which has resulted in trust building; a cooperative and peaceful environment; and high rates of growth in trade, tourism, and investment. It is quite evident that the countries of the GMS benefit from the cooperation programs and are committed to further integration as was reiterated in the recent third GMS Summit in Vientiane, Lao People's Democratic Republic. Moreover, Cambodia greatly appreciates ADB's facilitating role and support under the Association of Southeast Asian Nations (ASEAN) and ASEAN+3 frameworks.

Let me turn to developments in Cambodia. Our Government is fully committed to and is vigorously implementing its Rectangular Strategy, based on which the country has formulated the national strategic development plan for 2006-2010. Promoting economic growth, generating employment, promoting social equality, and strengthening public sector capacity remains the cornerstone of the Government's strategy. Our Government seeks to promote economic growth through agriculture and rural development, rehabilitation and construction of physical infrastructure, private sector development, and capacity building and human resources development. Good governance is at the heart of the strategy.

For the last decade, annual average GDP growth has reached 9.7%. High economic growth and the Government's sound policies have led to an accelerated reduction in poverty from 47% in 1994 to about 35% in 2004. The pace of poverty reduction is expected to be even faster for 2005–2007 because of the higher rate of growth in agriculture. In 2007, Cambodia succeeded in maintaining stable macroeconomic conditions, with the growth rate maintained at a high level of 10.1%, after climbing to an all time record of 13.3% in 2005, and 10.8% in 2006.

Domestic credit rose by 76% while M2 increased by 62.9% in 2007. The key objectives of monetary policy were maintaining price stability and bolstering international reserves. As a result, average inflation was contained to an estimated 5.8%. The exchange rate was broadly stable. Gross international reserves increased by 47% to US\$1.6 billion, sufficient for 3 months of imports in 2007.

Fiscal policy continued to be prudent in 2007. While the current budget surplus increased to 3.6% of GDP, the overall budget deficit declined to 2% of GDP, reflecting ongoing budget consolidation. Domestic revenue increased by 24.6% and reached 12.1% of GDP. Total expenditure increased by 17.4% and reached 14.1% of GDP. Current expenditure accounted for 8.5% of GDP and capital expenditure accounted for about 5.6% of GDP.

The current account deficit grew to 1.8% of GDP in 2007, up from 1% of GDP in 2006. Excluding official transfers, the current account deficit decreased from 7.2% of GDP to 6.6%.

In 2007, exports increased by 14.7%, and garment exports by 12.7%. Imports also increased by 18.1% compared with last year. The influx of private capital in the form of foreign direct investment rose from US\$475 million in 2006 to US\$713 million in 2007, an increase of 50%. The increase in investments reflects confidence in political and macroeconomic stability in Cambodia. In 2007, approximately 2 million tourists visited Cambodia.

The robust performance in 2007 underscores the increasing resilience of the Cambodia economy and shows the underlying strength of its economic fundamentals. This indicates that economic growth in the medium term can be maintained at 7-8% per annum. The main policy thrusts would include diversification of the economy by encouraging investments in new manufacturing activities and mineral resources; supporting agriculture and agri-business; and developing physical, social and economic infrastructure, particularly the expansion of new tourism sites, which will have major multiplier effects on the rest of the economy. However, this will depend on how we are going to cope with the new challenges Cambodia is facing: the sharp slowdown in the US economy, the rise in oil and food prices, and the continuing weak dollar. We are currently taking measures to address these challenges and are convinced that we will be able to overcome them.

In conclusion, may I express once again our deep appreciation to ADB's Board, Management and staff for their sterling efforts in responding to the challenges of the region and meeting the needs of the individual member countries. We

are thankful to ADB for providing support and assistance to the development of Cambodia and look forward to continued strong partnership between us.

CANADA

JAMES HALEY, Alternate Governor

I would first like to thank the Government of Spain for graciously hosting the 41st Annual Meeting of the Asian Development Bank (ADB). It is a great pleasure to be in Madrid, a city rich in history and culture.

This year's meeting is taking place in an environment of enormous uncertainty. Global growth is expected to slow; indeed, the *Asian Development Outlook* suggests that a global slowdown is now underway. At the same time, food prices have soared, threatening to reverse many of the gains we have made in fighting poverty over the past 10 years.

In this environment, all members of the international community must work together to advance sustainable growth and development, in particular the Millennium Development Goals (MDGs). Strong, credible and effective international institutions play a critical role in promoting and facilitating the international cooperation needed to achieve this goal.

In this context, I congratulate President Kuroda and the ADB staff on the successful replenishment of the Asian Development Fund (ADF X), which was completed on the eve of this Annual Meeting. ADF X will allow the fund to continue its work in bringing the poor into the development mainstream and helping the region achieve the MDGs.

I also commend President Kuroda and the rest of the ADB Management for their foresight in undertaking a review of ADB's strategic direction. Canada supports the long-term strategic framework 2008–2020 (Strategy 2020) and welcomes its reaffirmation of ADB's poverty reduction mandate, its call for more operational focus, and its emphasis on good governance and gender as key drivers of development. Strategy 2020 sets ADB on the right course to becoming an even more relevant and effective development partner in this rapidly evolving region.

We look forward to working with ADB in implementing Strategy 2020. Given the uncertainties we face, demands for ADB assistance may increase. Continued prudent financial stewardship of ADB's resources is therefore needed to ensure ADB remains effective in meeting the region's future needs. In this regard, we believe ADB should commit to managing its growth in a judicious and realistic manner.

In considering ADB's future resource needs, we attach great importance to a clear demonstration of how ADB's growth translates into greater poverty reduction and how its assistance is additional to private capital.

As I have noted, the development needs in the Asia and Pacific region are great. The onus is on us, ADB's shareholders, to ensure that ADB's limited

resources produce the greatest results. We believe this comes from working with ADB to increase focus, efficiency, effectiveness, and accountability.

In responding to the current global food crisis, we commend ADB's readiness to provide immediate and targeted support for its most vulnerable members. Addressing the food crisis requires understanding the various factors behind rising prices. We encourage ADB to work with UN agencies and other international financial institutions for a well-coordinated response that fully utilizes each institution's comparative advantage.

Canada is doing its part. Last year we were the third largest donor to the World Food Programme. Canada has just announced an additional \$50 million in food aid funding, bringing the total this year to \$230 million. Canada is also taking concrete steps to ensure our aid is delivered efficiently and effectively by untying its food aid procurement. Untying will ensure that food aid is purchased where it is less costly, reduce transportation costs, speed delivery, and increase the effectiveness of our food aid dollars. It will also enhance the development of local and regional markets where food is needed most.

ADB's new long-term strategic framework 2008–2020 (Strategy 2020) should pave the way for ADB to become a more focused, effective and accountable institution. We welcome the progress made in development effectiveness and achievement of results, particularly the strengthening of ADB's capacity in managing for development results. We look forward to working with ADB in establishing a well-defined, institution-wide results framework for Strategy 2020. Canada is committed to working with ADB to foster a results culture.

In the context of the replenishment of the ADF, Canada raised concerns about the need to strengthen the independence of the independent evaluation office of ADB. We attach great importance to transparency and accountability and we believe an institution cannot remain effective and relevant to its clients without a strong and truly independent evaluation capacity. We look forward to the results of the independent review and to the implementation of measures to ensure that ADB's process is consistent with international best practice.

We welcome ADB's efforts to make its safeguards review more consultative. One of ADB's core strengths is its ability to share best practices with member countries and to help them build capacity to work with internationally-accepted standards.

Canada welcomes President Kuroda's recent initiatives for reforms in human resource management at ADB. The recent staff survey revealed that, while most staff are highly engaged in their work, they have serious concerns regarding transparency and merit-based opportunities in ADB. ADB must accelerate its institutional renewal and take urgent action to build trust and empower its staff. The continuing ability of ADB to serve the region and have impact requires determined institutional changes. In our view, human resources reform is ADB's biggest challenge and should be its highest priority.

Conclusion

I would like to close by thanking ADB staff, Management and the Board of Directors for their hard work and strong commitment to fighting poverty in Asia. I would especially like to highlight ADB's contribution to Afghanistan. We value this partnership with the ADB in the reconstruction and development of Afghanistan, a continuing high priority for Canada and the region as a whole.

As highlighted in Strategy 2020, ADB faces a dramatically different Asia with rapidly changing needs. Canada remains committed to working with the ADB in engaging these new challenges. We look forward to remaining an active partner for many more years.

PEOPLE'S REPUBLIC OF CHINA

XIE XUREN, Head of Delegation

I am delighted to attend the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) held in the beautiful country of Spain. First of all, please allow me, on behalf of the delegation of the People's Republic of China (PRC), to express my sincere gratitude to the Spanish government for its great hospitality and thoughtful arrangement.

Despite the negative impact from the world economic slowdown and increasing inflationary pressure since last year, the Asia and Pacific region has maintained rapid growth and enjoys optimistic development prospect. However, we should also note that the region is still faced with many serious challenges and the arduous task of achieving the Millennium Development Goals (MDGs).

As the largest multilateral development institution in the region, ADB has played an important role in promoting poverty reduction, economic and social development, and regional cooperation in the region. We are very pleased to see the new progress made under the leadership of President Kuroda since last year. The long-term strategic framework (Strategy 2020) has set a clear strategic position and direction for ADB between 2008 and 2020. The successful conclusion of the ninth replenishment of the Asian Development Fund (ADF X) negotiations has enhanced the capacity of ADB to provide poverty reduction assistance to its least developed members. The pricing down of lending products has helped ADB to better meet the needs of developing members. We greatly appreciate these and other achievements made by ADB.

The newly launched Strategy 2020 fairly reflects the needs of developing members and the comparative advantages of ADB. I would like to raise three proposals to improve implementation of Strategy 2020.

First, ADB should stick to the mission of poverty reduction and development in implementing Strategy 2020. ADB should help developing

members in the region build upon achievements in agriculture and the rural economy, improve infrastructure, and achieve inclusive development and environmentally sustainable growth. It also needs to promote coordinated economic and social development and accelerate regional integration. As economies in the region are different from each other in terms of their national condition and development level, ADB should allow flexibility in implementing Strategy 2020. Meanwhile, ADB will need to make adjustments to Strategy 2020 to reflect changes in the region.

Second, ADB needs to secure resources for the implementation of Strategy 2020. Its successful implementation can only be achieved with adequate financial and human resources. In terms of financial resources, we support the launch of a study on a general capital increase as soon as possible. In terms of human resources, ADB may take specific measures to further enhance the skills and capabilities of its employees.

Third, ADB needs to speed up its own reform process. To implement Strategy 2020 successfully and to serve the developing members in the region better, ADB needs to take active measures to further speed up its own reform process and improve its internal governance structure. Most importantly, ADB should take note of the need to enhance the voice and representation of its developing members.

The PRC is an important borrower and an equally important shareholder of ADB. ADB has long played an active role in promoting the PRC's economic and social development, poverty reduction, and its participation in regional cooperation. The PRC's development experience has enriched the development theories and practices of ADB. In addition, the PRC has also assisted regional development undertakings from its own resources. After its contribution to the eighth replenishment of the ADF (ADF IX) and the establishment of the PRC Poverty Reduction and Regional Cooperation Fund, the PRC will contribute another US\$35 million to ADF X, which demonstrates its support for ADB and the development course of the region.

This year marks the 30th anniversary of the reform and opening-up of the PRC. During the past 30 years, the PRC economy has maintained relatively rapid growth and has gradually become an important part of the world economy. The PRC's development has strongly promoted the stability and prosperity of the world economy. At present, its economy continues to maintain stable and relative rapid growth. However, it is also faced with many challenges and risks from domestic and external changes. Facing the current complex domestic and overseas situation, the Government of the PRC will continue to adopt a scientific development approach, to strengthen and improve macro-regulation, and to promote reforms and opening up, so as to achieve sound and rapid growth of the national economy. Meanwhile, the PRC will firmly follow the path of seeking peaceful development and unswervingly pursue a mutually beneficial win-win opening-up strategy. We will continue to promote the development of the region and the world through our own development.

DENMARK

SUS ULBÆK, Alternate Governor

Mr. Chairman, Mr. President, Ladies and Gentlemen,

Allow me first of all to thank the Spanish Authorities for hosting this important meeting of the Asian Development Bank in their beautiful capital Madrid and also the Bank for its efficient organization of the event.

Next, I find good reason to congratulate the Bank—and indeed ourselves—with the adoption just recently by the Board of Directors of the new Long Term Strategic Framework 2008-2020 for the Bank. We are very pleased that the main vision of the Bank as a development institution with poverty reduction as its principal focus has been retained.

The Long Term Strategic Framework in our opinion makes the right choices with regard to focus areas—its emphasis on inclusive growth, on sustainable growth and regional integration point to a Bank that wants to continue to be relevant and develop with its region.

The great challenge is now to put all this into action. One area where much work with further definition and fine tuning is outstanding is the Bank's results framework. The Bank must for its own sake and for the sake of efficiency be able to continuously monitor and report outputs and outcomes of its developmental efforts. This will be an ongoing process over the next several years.

Mr. Chairman, climate change poses a serious threat to all of us and not least to the developing countries. It is a global challenge, which calls for global efforts on mitigation and adaptation. Everybody, national and international authorities and institutions have to play their part. We see a strong role for the ADB in the coming years – providing policy advice on energy and climate related aspects, helping to fund research for development of methods and technologies of adaptation and mitigation, and testing and developing renewable energy sources and not least proving funding for adaptation and mitigation efforts. In short, ADB must help provide the evidence to Asian countries that there is NO inevitable link between growth and high CO₂ emissions. That there are solutions that help decouple growth from rising CO₂ emissions.

We have another reason to rejoice here in Madrid: The successful conclusion of the ADF X replenishment negotiations, which have been going on since last September. With this ninth replenishment of the Fund, the Bank should be able to make a marked difference for the attainment of the MDGs in the poorest member countries. The replenishment provides the Fund with fresh resources, but also with attached additional responsibilities for the Bank's management of the Fund.

Mr. Chairman,

The soaring prices of foodstuff and agricultural production inputs has in recent months given rise to growing concern—in developing as in developed

countries. National and international efforts are required to alleviate the consequences in the most affected poor countries. The ADB should play its part in the international response to this crisis within its mandate. It should continue to invest in rural infrastructure supporting productive and marketing development, and it should encourage sub-regional cooperation aimed at opening markets and international trade flows and countering market restricting measures.

Mr. Chairman,

Safeguards—we would like to stress the importance we attach to safeguards in the Bank’s policy implementation. We thank the Bank for its commitment to revise the previous consultation paper. Safeguards should not be seen as annoying strings attached to loans but rather as long term sensible investments that make the loans even more useful also for future generations.

In conclusion, Denmark is confident that ADB will continue to develop and be relevant in providing solutions for your development partner countries as well as being responsive to all shareholders.

Thank you, Mr. Chairman.

FINLAND

ANNELI VUORINEN, Head of Delegation

It is a pleasure to be here in Madrid to participate in this excellently organized Annual Meeting and enjoy the hospitality so graciously offered to us by the Government of Spain and the City of Madrid.

For the past two decades, many of the positive economic signals have come from Asia. But, in spite of its remarkably rapid and stable growth, the region is not immune to fluctuations in the world economy, nor to other problems such as climate change and the rise in food prices, which tend to hit the poorest people hardest. Growth at the national level does not always benefit the poor segments of the population and thus disparities in living standards continue to increase.

In these circumstances, a thorough review of policies is called for. Finland welcomes new long-term strategic framework 2008–2020 (Strategy 2020) of the Asian Development Bank (ADB) which has come at the right moment. We appreciate that the Board of Directors had a substantial role in the preparation of the strategy, which we find balanced, well focused and clear. The Bank’s vision of “an Asia and Pacific region free of poverty” remains as relevant as ever. As regional actors, ADB and the Asian Development Fund still carry a huge responsibility in addressing the situation of the more than 600 million people in the region who live on less than US\$1 a day.

Finland endorses the development priorities of Strategy 2020. However, looking at the track record until now, inclusive growth and environmentally

sustainable growth are clearly no easy targets. If something is to be done in order to curb the climate change, economic growth patterns must be made sustainable. ADB has therefore a major task in supporting the use of environmentally sustainable technologies in the region, and most notably clean energy. In addition, ADB should strive to use all available means to relieve rural poverty.

ADB should promote the adoption of adequate environmental safeguards and the strengthening of national and regional initiatives for mitigating, and adapting to climate change. These measures should include sustainable forest management among other important ways to control carbon dioxide emissions.

My delegation urges the Bank to fully implement its gender policy, as the empowerment of women is a key to achieving success in development. The non-income Millennium Development Goals have not yet been reached in many parts of the Asian and Pacific region, and progress in the least developed countries is far too slow.

Strategy 2020 is not complete without an effective results framework which outlines ADB's targets and enables the Bank to monitor its development progress. We expect the Board of Directors to contribute to the elaboration of the new framework. We also welcome the decision to produce an annual development effectiveness review, which will be subject to close internal and external scrutiny. Finland welcomes the inclusion of ADB's own institutional effectiveness as part of the results framework.

Finland has taken note of ADB's declining capital sufficiency. While this shows that ADB has affirmed its role as the region's development financier, it is at the same time also a cause of concern.

Finland believes that for the time being approval rates need to be adjusted to the level of available resources. Prioritization of projects, on the other hand, may enhance quality.

I am very pleased to note the satisfactory outcome of the Asian Development Fund (ADF) X replenishment negotiations. The excellent cooperation that Management has showed throughout the process certainly contributed to the result. Finland is proud to register an increase in its share of ADF X as a token of its support for the plans now agreed upon. We need to be assured that the implementation of ADF X will take place in an efficient and coordinated manner together with Strategy 2020.

Finland's bilateral development cooperation focuses on a limited number of poor countries in Asia. The Finnish Government has, in line with its new Development Policy, started planning for new bilateral, regional and thematic interventions in Asia. In order to achieve environmentally sustainable development, we will direct new funding to renewable energies and the forestry sector. New interventions in forestry are being designed for Nepal and Indonesia, while we will continue to support this sector in Viet Nam and the Mekong region. In renewable energies we are seeking to replicate a very successful programme in Central America by new interventions in Southeast

Asia. Finland is also a shareholder of the Asian Pacific Carbon Fund. We encourage ADB to strengthen its country presence and would be interested in exploring possibilities of increased cofinancing in these sectors.

In Finnish development cooperation, the eradication of poverty in accordance with the Millennium Development Goals remains the main objective. We give special emphasis to issues relating to climate change and the environment. Finland has taken the view that eradicating poverty is possible only if progress made in developing countries is economically, socially *and* ecologically sustainable. We are pleased to note that much of this holistic approach is contained in ADB's Strategy 2020, and welcome its application in the Bank's operations in the years to come.

FRANCE

JULIEN RENCKI, Head of Delegation

I would like to begin by expressing my sincere gratitude to the Spanish government for its warm welcome and the excellent organization of this Annual Meeting.

Despite strong economic growth in recent years, Asia remains the region with the largest number of poor people in the world. Poverty reduction therefore continues to be the mission of the Asian Development Bank (ADB), as confirmed by its recently adopted long-term strategic framework (Strategy 2020). The high growth rates observed in Asia have not helped to reduce inequality. On the contrary, the widening income gap between sections of the population is a worrying development. This is why ADB has made inclusive growth its main objective. This concept must be operationalized in every intervention of ADB, to make sure harmonious growth can be achieved in the region.

The donors strongly reaffirmed their commitment to fight poverty during the negotiations on the replenishment of the Asian Development Fund (ADF). After a negotiation process that culminated in the allocation of US\$11.3 billion to the Asian Development Fund, many challenges remain. ADF X will be last replenishment on the way to achieving the Millennium Development Goals and there is a long way to go. This is why we are pleased to see a significant increase in the allocation of ADF resources to the poorest countries in the region.

We support the principle of selectivity adopted for ADB's long-term strategy, in which five key intervention areas have been determined. However, as we repeated several times during the negotiations, we consider it particularly important for ADB to follow a differentiated approach in order to avoid withdrawal from crucial sectors in the effort to achieve the poverty reduction goal embodied in Millennium Development Goal number 1. Agriculture has long been a neglected sector for aid. The current food crisis is here to remind us of our errors. This is why we urge ADB to work in

coordination with other donors to ensure that no country where agriculture plays a major role is left without funding for this sector, which is so vital for their economy. The adoption of flexible tools, on top of the traditional interventions of ADB in rural infrastructure, will be fundamental to ensuring a comprehensive answer to this issue.

In the years ahead, selectivity and flexibility will therefore be key to keeping ADB relevant and responsive to the needs of its clients.

The success of ADB's internal reforms will be another key factor. We welcome the efforts made by ADB staff to develop a satisfactory results framework that is more sophisticated than the system adopted by International Development Association (IDA) or the African Development Fund. We hope this will not remain merely a good intention and that it will be used routinely by Management and the Board to monitor the performance of both the Asian Development Fund and ADB. We also welcome the measures announced in November by President Kuroda to improve human resource management. In a globalized world with strong competition for talent, we consider this area to be essential to ADB's long-term future. We are eagerly waiting for the evaluation of the human resources strategy, which we hope will culminate in concrete recommendations to improve ADB's performance in this area. There are other internal reforms we consider just as critical, such as the independence of the Operations Evaluation Department and Risk Management Unit. The latter is gradually becoming more important with the increase in loans to the nonsovereign sector, as demonstrated once again by the figures for 2007. France, which on 1 July will assume the Presidency of the Council of the European Union, has made private sector development one of the priorities of its mandate. We encourage ADB to intervene more in this sector given the strong demand from its client countries for such funding. However, we are also aware of the risks inherent in this type of activity and we want to be sure that the Risk Management Unit has the resources required to perform its duties successfully.

Finally, I would like to take a brief look at regional cooperation. I welcome the substantial increase in the resources allocated to regional projects during the ADF X negotiations. We believe that it is natural for ADB—as for other international financial institutions—to promote regional cooperation, not just with regard to infrastructure but also with regard to global public goods, especially the environment. The fight against climate change is an integral part of any poverty reduction strategy, since the poorest populations will be the first victims of this phenomenon. Its magnitude calls for a coordinated response at regional and global levels. Regional cooperation also requires stronger regional solidarity. Emerging regional donors have a strong role to play in this regard. We do hope this will be reflected in their future contributions to the ADF.

So far, the recent upheavals of the world economy have not seriously shaken the region and ADB. We genuinely hope this will remain the case in the months ahead to avoid blocking the efforts made by the regional countries to continue growing towards a sustainable reduction in poverty.

As a last personal comment, I would like to thank our executive director and his two advisers, who will leave the office this summer, for the work achieved in the last few years. I particularly wish to congratulate them for their skills and rigor, and their eagerness to serve not only their country of origin of course, but also ADB as a whole. I wish them great success for the future.

GEORGIA

DIMITRI GVINDADZE, Head of Delegation

It is a pleasure to be here. Let me give special thanks to the Spanish hosts for the warm welcome and good organization of the event.

Georgia joined the Asian Development Bank (ADB) in 2007 and ever since we have been working closely and productively with ADB colleagues to launch a full-fledged cooperation.

We have been quick to identify ADB's operational focus in Georgia and the pipeline of its first sovereign operations. These will benefit from their high priority status and are likely to add value to Georgia's own development agenda. ADB has also moved fast in terms of identifying the first private sector operations. In the public sector, we have concentrated on municipal works and road infrastructure schemes. By implementing them without delay and in compliance with the vision of the Government, we will address important infrastructure-related bottlenecks.

Working with financial institutions on these infrastructure schemes, the Government has adhered to the principle of country ownership which we believe is the key prerequisite for a successful outcome. We thank ADB for sharing this vision with us.

We welcome ADB's decision to establish an office in Georgia. This will help further ADB's operations in public and private sectors, through enhanced dialogue with the Government and businesses. This presence is essential for comprehending local needs in their entirety and for devising well-targeted operations. Local presence is also important for devising sound inter-institutional partnerships with other international financial institutions and development partners in Georgia.

Georgia is one of the world's best performers in terms of growth, business facilitation, economic liberalization, and the efficiency of the public sector. Georgia counts on the performance-driven ADB funds allocation mechanisms in the course of its current and future country partnership strategies.

Georgia's liberal reforms implemented since 2004 have laid the foundation for long-term sustainable growth. Georgia's real GDP growth rate was 12.4% in 2007. This encouraging trend is set to continue.

Georgia has low, flat, and decreasing tax rates. Fiscal administration has been improving very fast. Budget revenues have thus increased significantly by as much as 460% since 2003. From 2009, we will have mandatory fiscal

surpluses. This reflects the prudent fiscal policy of the Government. We are moving to explicit inflation targeting in 2009, with the consumer price index target limited by law to single digits. As an open and business-friendly economy with a robust economic performance, Georgia has been attracting strong capital inflows. Net foreign direct investment represented 15.3% of GDP in 2007.

Radical deregulation and liberalization policies have expanded our economic base. Georgia is enjoying a real entrepreneurial boom, with over 50,000 new businesses registered each year. The gray economy has shrunk dramatically. The external public debt to GDP ratio has been reduced to the strict minimum. It stood at only 15% in 2007. The financial sector is vibrant and growing rapidly.

In 2006, the World Bank recognized Georgia as the number one reformer in the world. We were number five in 2007. The right mix of economic, fiscal and structural policies and sound improvements to governance in general have increased the resilience of Georgia's economy to external shocks, including energy and commodity price hikes and the subprime meltdown.

In April 2008, Georgia's debut Eurobond set an important benchmark for the country's non-sovereign sector. The issue was oversubscribed by more than three times, an acknowledgement of international trust in Georgia's creditworthiness.

Georgia has been standing firm and performing exceptionally well in the wake of the Russian embargo and despite Russia's other more recent utterly irresponsible and illegal moves aimed at derailing the country from its path of economic transformation, at changing the stance of our foreign policy.

We have been following closely developments at ADB. We believe ADB plays an important positive role in transforming the developmental landscape in its countries of operation. Challenges and needs in ADB's member countries are all different, and they rarely remain the same. Adaptive thinking and action are important if our quest for sound responses to developmental needs in recipient countries is to succeed.

Georgia commends President Kuroda's work aimed at sustaining the Asian Development Bank in the rank of the top league players in the context of global development. We thank the ADB Georgia team, which has worked hard to launch and develop our cooperation. I would like to take this opportunity to invite President Kuroda to visit Georgia.

GERMANY

KARIN KORTMANN, Governor

I would like to thank the Spanish Government, President Kuroda and, of course, the Asian Development Bank (ADB) team for their excellent work in organizing this Annual Meeting.

The current problems on the international financial markets, which started with the subprime crisis in the US, are having a powerful influence on global economic development. Added to that are sharp rises in commodity prices, which look set to remain high for some time.

The *Asian Development Outlook* suggests that, in Asia, overall growth rates will continue at a respectable level with only minor blips. At the same time, however, many countries have to deal with sharp rises in their rates of inflation and—particularly in those countries that are net importers of raw materials—an increasing strain on public budgets. This also places a strain on the budget for pro-poor policies.

The extreme increases in the price of food in particular place a heavy burden on poorer sections of the population. The social and political implications of these increases were highlighted by my distinguished colleagues from India and Cambodia during yesterday's deliberations on the long-term strategic framework (Strategy 2020). ADB therefore needs to meet these challenges, based on an extensive, country-based analysis of the causes and effects. This analysis should also look at what ADB can do in the short and medium term by making flexible use of funds and by developing partnerships, because many countries in the region—acting out of understandable concern for their own populations—have imposed trade restrictions which are, however, pushing prices up still further. I appreciate that ADB has offered some insight with its most recent publication *Soaring Food Prices, Responses to the Crisis*. The highest priorities at this time are for calm to return rapidly to the food markets and for the right to food to be guaranteed for all.

In this context, I would like to underline that it is not acceptable for the production of agro-fuels to make these food shortages worse. This example shows once again just how important it is to take a comprehensive approach to development: the environment, climate change, food security and observance of basic social standards must be combined within one coherent policy.

I would therefore like to say a few words about the current safeguards update. Observance of these strict environmental standards is an essential component of sustainable development. When multilateral development banks get involved in investment projects, they do more than just provide loans. Their participation is also valuable because the banks' safeguards act as a guarantee that procedures will be socially and ecologically sound. The safeguards must be maintained as a vital pillar of ADB and as the added value it offers. The safeguards update offers the chance to harmonize standards internationally at a high level and to help partner countries to gradually

incorporate them into national regulations. ADB must refute the concerns that have been expressed, not only by nongovernment organizations (NGOs), that the update could lead to a watering-down of the standards by making genuine improvements. It is high time for the regional banks and the World Bank to consult on and harmonize their safeguard policies. However, they should focus on achieving the maximum possible and not the lowest common denominator.

In Asia, it is not uncommon to find wealthy, well-educated people living alongside poor people who are not adequately involved in political and economic life. Despite booming economies, there are still 700 million Asians living in absolute poverty. The soaring numbers of city dwellers are causing immense problems in metropolitan areas. The City Development Initiative in Asia, which we have founded jointly with ADB, is therefore a welcome step toward environmentally sound urban development. The aim of the initiative is to help towns and cities implement urban development plans that have been elaborated on a participatory basis, so as to improve the living conditions of poor people in particular and also the environmental situation. The huge demand and the interest displayed by officials from municipal authorities and towns has shown us that we need to get other donors on board. I am particularly pleased that Sweden and, just a few days ago, our host country, Spain, have joined this initiative, and I encourage others to follow their example.

The high incidence of poverty in Asia makes it clear that the Millennium Development Goals cannot be achieved unless further progress is made in this region. I strongly believe, therefore, that ADB needs to take on a major role in this respect over the immediate future. And so I expressly welcome the vision of “an Asia and Pacific free of poverty” in Strategy 2020. With this vision, ADB has pledged to keep poverty reduction as its overarching goal. I hope above all that ADB and the Asian Development Fund (ADF) will play an active role in formulating and implementing a policy directed at ensuring that all people enjoy the fruits of economic growth. The concept of inclusive growth, which forms the basis of Strategy 2020, seems to me to be an appropriate means of achieving this. Country-specific analyses of the obstacles to growth will need to be undertaken. Young people and young families in particular need to be in a better position to engage in productive employment and make a decent living.

More attention should also be paid, however, to those members of the population who have gone abroad in search of better opportunities. They, too, still have ties with their countries of origin and an interest in their development and can make a positive contribution. For example, migrants support their families at home through remittances and thus help combat poverty directly. I will mention here only the extraordinary example of the Philippines, which according to the World Bank received US\$17 billion in remittances in 2007. A number of ways have already been developed for using these remittances to boost the country’s development. For example, the Economic Resource Centre for Overseas Filipinos offers savings products with fixed interest rates

that are specially designed for Filipinos living abroad. The investors get good conditions and know that, for as long as their money is deposited, it is used to finance microfinance in the Philippines. While their savings are growing, they are also working for the development of their home country. I suggest the ADB looks at how the development impact of remittances can be intensified at the regional level.

Inclusion and sustainability are, I believe, central to economically and socially successful development. The limitations of policies that focus purely on growth are already clear to large sections of the population. The impact of climate change is making it clear that we must link economic and social policy more systematically with the concept of ecological sustainability. The revision of the ADB energy policy that is planned for this year offers an excellent opportunity to focus systematically on improving energy efficiency and the use of renewable energies within ADB activities. In addition to that, there is a need for a systematic climate proofing of ADB's portfolio and for adaptation measures. It makes sense for ADB to coordinate its contribution closely with those of other players in terms of both the instruments used and the issues addressed, not least in anticipation of the Climate Investment Funds that are being prepared in cooperation with the World Bank.

Now that Strategy 2020 has been adopted, the strategic framework it sets out must be put into action and a number of questions answered.

- What implications does the strategy have for the volume and structure of the portfolio?
- Does the ADB have the optimum organizational and staff capacities? How can the demands of implementing the strategy be reconciled with ADB's administrative budget?
- Finally, when approving Strategy 2020, we pointed out that the role of the ADF in implementing it needs to be made clearer.
- Besides these questions on matters of substance, clear benchmarks are needed when implementing the strategy in order to enable continuous monitoring.

There is general agreement that the poorer Asian states in particular will not be able to finance efforts to achieve the MDGs without assistance. That is why the ADF is so important. The outcome of the replenishment negotiations that have just been concluded shows that the donors see the ADF as an essential instrument for reducing poverty in Asia. At the same time, agreement was reached with the Management on a comprehensive reform agenda that should help ensure that the Fund's institutional performance improves and, with it, its development impact.

Finally, we will continue to support the Management's efforts to rapidly implement these reforms. I would like to thank the President and his staff most sincerely for our good and close working relationship. Thank you very much for your attention.

HONG KONG, CHINA

PETER PANG, Head of Delegation

Let me first thank the Government of Spain and the people of Madrid for their warm hospitality. I welcome the successful conclusion of the Asian Development Fund (ADF X) negotiations ahead of this meeting, providing timely and critical resources to the Asian Development Bank (ADB) to further its work in poverty reduction in Asia.

The remarkable development of the region over the past decade has significantly improved the lives of its people. Yet eradicating poverty remains a huge challenge, and rapid economic growth has brought about a new set of development issues. We therefore welcome the extensive review of ADB's long-term strategic framework over the past 2 years to identify the new challenges faced by the region and the launch of Strategy 2020 to guide ADB's work in the next decade.

I am glad to see that Strategy 2020 correctly puts a greater focus on the sustainability aspects of growth as Asia enters the next stage of development. Among other priorities, I am also happy to note more emphasis being given to private sector development and private sector operations. Enabling the private sector, with firms investing, creating jobs and improving productivity, is crucial to sustaining long-term economic growth and expanding opportunities for the poor. In this regard, supporting the development of a vibrant small and medium-sized enterprise (SME) sector will be of particular importance.

SMEs play a vital role in the economic growth of developing countries, typically accounting for over 90% of business establishments and about half or more of output and export shares. Their entrepreneurship, flexibility, and responsiveness to change are an essential driving force of economic development. The employment opportunities they create improve the livelihood of thousands of millions of poor people. In many developing countries, and in fact in developed economies as well, SMEs account for as much as 70% of the labor force.

Despite the important role of SMEs in the economy, their growth is often constrained by lack of capital, among other impediments, such as regulatory red tape. Their small size, lack of credit ratings, and the generally underdeveloped capital markets in the region deny SMEs access to bond and equity financing. Banks are also reluctant to lend to SMEs or they charge them a high interest rate, as SMEs usually do not have strong credit history and cannot provide substantial collateral.

Making available SME financing at reasonable costs is therefore crucial to the growth of this important sector. Providing policy loans directly to SMEs helps, but the assistance is limited relative to the enormous financing needs and there are always the concerns about economic distortions and the efficient use of public resources. To achieve more sustainable and sizable SME financing, it is necessary to develop market-based approaches which

are commercially viable to mobilize private sector investment into the SME sector. I encourage ADB to further work on this front, including exploring possible mechanisms such as credit enhancement and securitization. Scaling up private sector lending would require a change in the skill mix of ADB, in particular strengthening its market expertise and risk management. Partnering with domestic agencies and private sector financial institutions, other international financial institutions and developed members in the region that have the relevant experience would be useful in utilizing their expertise, building the capacity of ADB, and sharing credit risk.

There are, of course, other important areas concerning the development of the region where ADB could play a meaningful role, as identified in Strategy 2020. As a member of ADB and the region, we stand ready to provide support and look forward to strengthening our cooperation with ADB in furthering the development agenda of the region. Lastly, to implement Strategy 2020 successfully, further enhancing the organizational effectiveness of ADB will be of critical importance. We welcome ADB's commitment to develop a more robust results framework and to continue its institutional reforms, and we look forward to ongoing efforts by ADB in this regard.

INDIA

PALANIAPPAN CHIDAMBARAM, Governor

May I start by warmly thanking our hosts, the Government of Spain, for the excellent arrangements they have made for this Annual Meeting.

The historic and beautiful city of Madrid is an ideal venue for this important Annual Meeting of the Asian Development Bank (ADB). The long-term strategic framework 2008–2020 (Strategy 2020) will set the path for ADB until 2020. We welcome ADB's vision of “an Asia and Pacific Region free of poverty” and its mission to help “its developing member countries (DMCs) reduce poverty and improve living conditions and quality of life”. Now ADB needs to back up the broad Strategy 2020 with a detailed implementation strategy.

Addressing Challenges in Asia

Asia is a challenging place for any development institution because of its heterogeneity. The region houses some of most dynamic economies of the world and also some of the most fragile. Even middle-income countries that have achieved considerable economic progress are still grappling with extreme poverty in pockets.

Role of the Private Sector

As rightly emphasized in Strategy 2020, the private sector would have to play a more important role in the development of the Asia and Pacific region.

However, it is our belief and experience that the bulk of the resources for infrastructure will still have to be found through the public sector. Hence, a portfolio restructuring plan for ADB to increase the private sector's share of annual loans to 50% will be consistent with the continued need for a vibrant public sector and this twin strategy will succeed only if total loan approvals and/or disbursements are enhanced significantly.

The fundamental role of ADB as a multilateral development bank should not be diluted by an overemphasis on nonsovereign loans at the cost of sovereign loans. This problem will be resolved if overall disbursements were to increase.

Environmentally Sustainable Growth

On environmentally sustainable growth, we support ADB's focus on climate change and the urban environment. India is committed to following an environmentally sustainable energy policy with a spirit of mutual accountability and the principle of "common but differentiated responsibilities". We urge ADB to secure greater financing resources at more concessional terms for energy efficiency and clean energy projects.

Regional Integration

Regional cooperation is one area where ADB has been demonstrating its comparative strength among international financial institutions, and India welcomes Strategy 2020's emphasis on it, including the intention to increase the share of regional and subregional projects in total operations. However, these must be in addition to national projects and should preferably be on concessional terms.

New Sectors

India welcomes Strategy 2020's choice of the five core areas of operations: infrastructure, environment, regional cooperation and integration, financial sector development, and education. However, we would also like to see more stress on health-related infrastructure, agriculture and irrigation. Given escalating food prices across the world, which hurt the poor the most, it is both premature and inappropriate for ADB to disengage from agriculture fully. It is well established that robust agriculture infrastructure can help prevent the huge waste which occurs due to the inappropriate handling, storage, transportation, and marketing of agricultural produce. Improvements in irrigation infrastructure are equally important for increasing food grain production. Strengthening the farm-to-market link is critical for improving food security and this could be an important area of ADB intervention.

Asian Development Fund (ADF)

ADB needs to respond to DMCs' needs and to maintain an appropriate operational size. ADF X negotiations have now been concluded, with a significant increase in operational size and I congratulate the donors and the

management of ADB. I may, however, point out that the bulk of the resources are being generated by financial re-engineering of ADF operations and partly by the transfer of ordinary capital resources (OCR) to the ADF. As you are aware, OCR resources have mostly been generated from income from OCR borrowers. Sadly, we seem to be moving into an era where increasingly poor countries will be asked to help out their poorer brethren. My earnest appeal is that the ADF should be replenished through greater contributions from donors, as was done in the past.

Need for a General Capital Increase

We are deeply concerned about the resource position of ADB, which indicates that, with the planned level of lending over the next 3 years, the OCR lending headroom will be exhausted by 2010. There is an urgent need to focus attention on resource mobilization. For the past 2 years, India has been stressing the need to augment the capital resources of ADB. Any further delay will be at the cost of ADB's commitments and its credibility. Our discussions should not only define the amount of the increase but also the modalities and the need to take general capital increase proposals before the next meeting of the Board of Governors.

Unlike the past, where unsubscribed or partially subscribed shares were kept aside for allotment to new members, I suggest that this portion may be offered to the subscribing members.

We also think that ADB is perhaps making inefficient use of equity. Its provisioning is far beyond any prudential requirements and its liquidity levels are extremely high. Removal of headroom constraints would allow ADB to unleash the full potential of its equity and reserves. At the same time, there should be no compromise of its AAA status.

Finally, I would like to commend ADB for responding to the rapidly changing Asian economic scene by preparing a new long-term strategic framework 2008-2020 which lays the foundation for environmentally sustainable and economically inclusive growth in the Asia Pacific region. As one of the largest and fastest growing economies in the region, India looks forward to enhancing the quality of its engagement with ADB and for a larger role for the ADB itself in the development of the entire region.

INDONESIA

ANGGITO ABIMANYU, Head of Delegation

On behalf of the Indonesian delegation, I would like to express our appreciation to the people and the Government of Spain for their warm welcome and hospitality in this beautiful city of Madrid. I would also like to congratulate Spain for its successful hosting of the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB), and President Kuroda

and his staff for their impressive performance over the past year. Indonesia continues to value ADB's ongoing assistance highly.

Indonesia's Governor, Minister Sri Mulyani Indrawati, has asked that I convey her sincere apologies for not being here today, there were some domestic concerns that required her attention.

Indonesia's economy is expected to remain strong over 2008–2009. Economic growth is expected to be in the vicinity of 6.0–6.5%, driven by solid domestic demand. Indonesia's fiscal position is expected to remain sound, despite the challenges arising from an escalating world oil price. The government is committed to maintaining prudent policies, while taking into consideration how international developments are having an impact on the poorest sections of society.

The subprime mortgage crisis, climate change issues, and the sharp rise in food and other commodity prices, especially oil, concern Indonesia. The year ahead will require ADB to monitor regional and global conditions vigilantly, and to respond quickly when the situation demands.

Where appropriate, ADB's efforts in this area should complement the work proposed by the World Bank and the International Monetary Fund (IMF) last month in Washington to deal with both the immediate food crisis in the developing world and the longer-term challenge of ensuring food supplies. Indonesia welcomes the ADB initiatives to provide support for food security and food price stability mechanisms in affected nations.

Indonesia appreciates ADB's work on framing its role and mandate set out in the long-term strategic framework 2008–2020 (Strategy 2020). This well-thought out strategy reflects the collective efforts of ADB's staff, extensive consultations with members, background studies, and a fruitful discussion in Kyoto last year at the 40th Annual Meeting. Indonesia congratulates the President and his staff for their efforts, and will work with ADB to ensure Strategy 2020 is implemented effectively and in a cost-efficient manner.

As noted yesterday in the Strategy 2020 session, Indonesia agrees with the proposal that the Bank should keep as its driving vision "an Asia and Pacific free of poverty". We support the line of reasoning that ADB should remain focused on its comparative advantages in the areas of infrastructure, environment, regional cooperation and integration, financial sector development, and education. We would like to see a stronger focus on the role of ADB in helping developing member countries (DMCs) to address clear market failures. We would also support an early study of the long-term resource requirements necessary to implement Strategy 2020.

Indonesia would also like to register its support for the President's staffing initiatives, such as the staff engagement survey and the comprehensive review of the human resources strategy. We support flexible recruitment practices, internally and externally advertised director-general positions, and a review of the operations evaluation department, including resources to implement Strategy 2020. In general, we encourage ADB to push forward with its results-based performance assessments and to review its operations regularly with

the goal of applying international best practices. We would wish to see any reform process continuing to maintain a staffing composition (numbers and levels), that reflect both ADB's membership and lending profile.

Indonesia wishes to see ADB meet its disbursement target in 2009. We welcome the proposed allocation of the net income as well as the waivers for sovereign loans negotiated before 1 October 2007 for all ordinary capital resources (OCR) borrowers that do not have arrears to continue for 2008. We also support strongly the establishment of the Climate Change Fund. Such a fund will be an important platform for mobilizing external resources to address climate change.

In conclusion, on behalf of Indonesia's Finance Minister and ADB Governor, Dr Sri Mulyani Indrawati, it is my pleasure to invite you to the 42nd Annual Meeting, which will be held in Bali, Indonesia. More than 30 years have passed since the 9th Annual Meeting in Jakarta in 1976, but we will do our best to ensure an event as successful as this year's series of meetings in Madrid.

IRELAND

CARMEL KEANE, Head of Delegation

Let me begin by extending Ireland's sincere appreciation to the Government of Spain, President Kuroda and his staff and to the people of Madrid for their warm hospitality and the excellent arrangements for this 41st Annual Meeting.

Ireland is a relative newcomer to ADB, having joined only in 2006. Our experience has been very positive to date and we would like to thank President Kuroda and his management team for their ongoing efforts on a number of important fronts, including ADB's new long-term strategic framework (Strategy 2020), the ninth replenishment of the Asian Development Fund (ADF X), and the various initiatives aimed at improving the effectiveness of operations and the organization of ADB into the future.

Ireland welcomes the emphasis on poverty reduction and sustainable development in ADB's new Strategy 2020. We congratulate the President, staff and all stakeholders who have contributed to the development of the new strategy and we are happy that during the consultation process, ADB was responsive to many of the key issues raised by our constituency and others.

We support the efforts of ADB to renew its strategic directions and its focus on five core operational areas. This approach should enable ADB to leverage its comparative strengths in terms of the global aid architecture for the maximum impact in poverty alleviation and the stimulation of inclusive and sustainable growth within the Asia and Pacific region. The increased focus on regional cooperation initiatives is a positive step. I could spend the morning telling you about the benefits Ireland has derived from regional cooperation and integration in a European Union context.

We also welcome the incorporation of an organization-wide results framework into Strategy 2020. Although the framework is still a work in progress, it is an endeavor to be applauded and we look forward to the first comprehensive development effectiveness review before the end of this year.

On joining ADB in 2006, Ireland was happy to contribute to the Gender and Development Cooperation Fund, as the issue of gender is of key importance to us. We are therefore especially happy that, as set out in the new strategy, ADB will continue to emphasize gender equality and the empowerment of women as fundamental elements in achieving inclusive growth. Women contribute hugely to the economies of Asia and the Pacific, as workers in employment and the informal sector, as entrepreneurs and investors in business, and through their unpaid work. Women are also among the most vulnerable to poverty and marginalization, so the empowerment of women and the mainstreaming of gender concerns across the range of ADB operations and policies is essential in order for ADB to fulfill its broader mandate.

Ireland is happy to have been able to contribute generously to the successful outcome of the ninth replenishment of the ADF, increasing our contribution by 21% over our previous commitment. Our increased contribution to ADF X is one element of our effort to attain the Millennium Development Goals and the scaling up of our official development assistance, which has grown five-fold over the last 10 years and sees us on track to meet the UN target of 0.7% of GNP by 2012. Once again, with our contribution to the ADF, we are happy to be playing our part in the fight against global poverty and improved global welfare, as highlighted by the President yesterday.

Let me now turn to the big issue which has concerned us all over the course of this meeting—soaring food prices which are threatening millions of people with hunger and malnutrition. We agree that there is a degree of extreme urgency about this situation as the crisis could undermine the gains the region has achieved in fighting poverty in recent years. We welcome the President's comments on the initiatives that ADB can pursue in the immediate and medium term to address the challenges in terms of soaring prices and food security within the region. We would add our voice to the need for coherent policies in these areas.

There is no doubt that the food crisis is being exacerbated by climate change. We welcome the fact that ADB has been active on this front across a range of sectors through its Clean Energy and Environment Program and we hope that it will continue to make progress, as a key partner of the region's developing member countries in helping them to mitigate and adapt to the adverse impacts of climate change.

We also welcome the fact that ADB has recently decided to release a second consultation draft of its safeguard policy update. Compliance with appropriate environmental and social safeguards is an integral component of sustainable development. However, any policy is only as good as its implementation and we urge ADB to give serious consideration to its implementation in terms of the capacity and resources that this will require.

Like many others here today, we are encouraged by the recent institutional reforms of ADB. Such processes should enhance its operational and institutional effectiveness. We recognize that major change cannot, and indeed should not, occur overnight, but we would like to see a brisk pace being maintained and in this regard we await eagerly the conclusion of the human resources review this year as well as the review of the Operations Evaluation Department.

Finally, in terms of ADB's capital adequacy framework, Ireland will listen to what ADB has to say in this regard. However, there is no doubt that a general capital increase will be a challenging issue both for ADB and its shareholders.

The recently published *Asian Development Outlook 2008* presents a very impressive overall picture for developing Asian countries. However, many countries still face huge challenges in terms of poverty and the inequality of growth. We must all continue to work together to try and ensure as much as possible is done to reach the targets set.

In terms of external global conditions and internal processes of change, it is going to be a busy and no doubt eventful year ahead for the ADB management and staff and we wish you well for the challenges ahead. Ireland is proud to be a partner of the ADB at this crucial time.

ITALY

IGNAZIO ANGELONI, Alternate Governor

I join other speakers in thanking the Government of Spain and the city of Madrid for their generous hospitality in this beautiful city and very impressive conference center.

Asia grew at almost 9% in 2007, by far the fastest growing region in the world. In spite of a number of challenges at the global level, this year's growth is estimated at a still robust 7.6%. This outstanding performance provides a golden opportunity to tackle the important economic challenges ahead.

Poverty is probably the most important one. The food price surge, which is of great concern to us all at present, adds to the challenge. We are convinced that the vision of the Asian Development Bank (ADB) of an Asia and Pacific region free of poverty is within reach. With the new long-term strategic framework (Strategy 2020) and a replenished Asian Development Fund, ADB is now ready to fulfill this mission. Italy strongly supports the three complementary strategic agendas outlined in Strategy 2020. I will say a few words on each of them.

Inclusive Growth

Addressing inclusiveness requires increasing the impact of economic growth on poverty reduction, hence contributing to achieving the Millennium

Development Goals (MDGs). However, it is not yet fully clear to us whether, or how, introducing inclusive growth in ADB's agenda implies a change from what ADB is already doing. To make this strategic agenda more concrete, some yardstick of accountability for advancing inclusiveness should be devised, by introducing measurable performance indicators.

Environmentally Sustainable Growth

ADB has a special obligation to help move Asia and the Pacific to a more sustainable path, through a mix of mitigation and adaptation policies. We acknowledge ADB's good work on climate change; however, investment in renewable resources and in energy efficiency is still a fraction of ADB's total energy sector lending. If we take ADB's portfolio in its entirety, the picture looks no better. We encourage ADB to introduce measurement, reporting, and analysis of greenhouse gas emissions resulting from all investments and to introduce shadow carbon pricing in investment decisions, particularly for projects with large emissions. We also urge ADB to increase its political, technical, and financial support toward renewable energy and energy efficiency.

Regional Cooperation and Integration

We encourage ADB to adopt a more systematic approach and to promote a broader vision of collaboration and integration in Asia. Integration will help support regional and global public goods and promote larger regional markets. The experience of European integration is a useful benchmark, but there are important differences. Europe's integration agenda (from 1957 to date, spanning over 50 years) followed a clear sequence: trade, capital, money. Asian countries are less homogeneous in their economic structures. Therefore, progress towards financial and monetary integration should be correspondingly prudent to avoid setbacks.

Having touched upon what ADB should be doing, let me now comment on the financial resources to achieve its goals.

Asia's development needs are enormous, but so are its savings and accumulation of foreign assets; by contrast, the amount of direct financing ADB can provide is limited. ADB should therefore make greater use of guarantees, new investment schemes, and risk analyses, to attract the vast resources available in the region to finance projects, especially in sectors where investments are riskier and more expensive—for instance in renewable energy.

Fighting poverty requires a global effort, including from non-traditional sources of aid. World Bank President Bob Zoellick has recently called for sovereign wealth funds to invest in sub-Saharan Africa. I see no reason why this could not happen, *a fortiori*, in Asia, a region where some of the largest sovereign wealth funds are located. ADB could act as the facilitator for this.

Finally, Asia's impressive economic success paves the way for an expanded role for regional donors. This calls for more collaboration among the international financial institutions, traditional donors, and prospective new

players. ADB should be a catalyst in this process. We welcome the successful replenishment of the Asian Development Fund (ADF), although we regret, once again, the limited commitment of regional emerging donors.

Let me conclude with some final considerations on ADB's internal organization.

A new strategy calls for a new ADB. Over the past year ADB has undertaken a number of initiatives to align its operations with country programs, diversify its products, and streamline its procedures. President Kuroda has shown leadership in advancing the reform agenda and making the ADB more efficient. For ADB to reach its full potential we encourage a strong result orientation and willingness to make fast and deep changes in human resources management.

Italy continues to support ADB and to value its achievements. We are confident that, if it strengthens its commitment to excellence and ability to reform itself, ADB will remain a leading institution in the world's most dynamic region.

JAPAN

FUKUSHIRO NUKAGA, Governor

At the outset, on behalf of the Government of Japan and its people, I would like to express my deepest sorrow for the passing away of the former Prime Minister Mr. Calvo-Sotelo who had played a pivotal role in establishing democracy in Spain.

I would also like to express my sincere gratitude, on behalf of the Government of Japan, to the Government of Spain and to the people of Madrid for their wonderful hospitality. Last year, the annual meeting was held in Kyoto, the ancient capital of Japan, symbolizing our nation. Spain has produced a great number of world famous artists, including Picasso, Goya and Gaudi, and I am delighted that this year's annual meeting has been held in Madrid which is full of rich cultural heritage.

From the 15th to the 16th century, Spain led the way in the Age of Discovery, playing a pivotal role in the expansion of world trade. We may be able to say that the dramatic increase in cross-border trade and investment during that era laid the foundations for today's globalization. What is more, it is modern-day Asia that has maximized the benefits enjoyed from this progress, leading to rapid economic development.

This year, the Asian Development Bank (ADB) will embark on a new voyage with the new long-term strategic framework 2008–2020 (Strategy 2020) as its guiding compass. And it is only fitting that the new voyage will start from Spain, where globalization started, providing the key to Asia's prosperity.

As if to celebrate this new embarkation, I welcome with great delight that, prior to this annual meeting, consensus was successfully reached on

the ninth replenishment of the Asian Development Fund (ADF X). While Japan is faced with a very severe fiscal condition, in light of the importance of poverty reduction in Asia, we have indicated our intention to increase our contributions to ADF by 38% in yen terms, exceeding that to IDA15 replenishment. I hope that the ADF funds will be used effectively, and that Asian countries will take great strides toward achieving the Millennium Development Goals.

Current conditions and outlook for the Asia and Pacific region

Robust Asian Economy

It has been a while since Asia became the region with the world's highest economic growth. Having overcome temporary setbacks caused by the Asian currency crisis of the late 1990s, the region has now firmly established itself as one of the growth centers of the global economy. Despite the global financial turmoil triggered by the subprime problem in the latter half of last year, the average growth rate of the region was recorded at 8.7%, the highest in 20 years, buoyed by strong investment and private consumption. Looking forward, I expect the Asian region to continue to be a driving force of the global economy. Nevertheless, given the uncertainty surrounding the world economy, including the development of the subprime problem, we must also be aware of its downside risks. Furthermore, the recent hike in commodity prices, including soaring food prices, have put increased inflationary pressures on the Asian economies, and amid the rising sentiment of a slowdown of the global economy, Asian countries are confronted with the challenge of delicate handling of the economic policies.

Poverty Reduction

Against the background of steady economic growth, the number of people living in extreme poverty in the Asian region has been declining at a rate faster than that required to meet the Millennium Development Goals (MDGs). However, with still around 600 million people living under extreme poverty, the biggest challenge facing the region continues to be poverty reduction. At the same time, we are witnessing widening income disparity within a country between those groups that are benefiting from economic development and those who are not. It raises concern that this might hinder countries from maintaining social stability that is necessary for achieving sustainable economic development.

Environment and Climate Change Problems

There has also been a dramatic increase in energy consumption in the Asian region. Between 1973 and 2005, global energy consumption increased by 87%, whereas in the Asian region it soared by 289%. Also, in terms of future energy demand, there are estimates indicating that, by 2030, demand in the region will double and account for 36% of global demand. On the back of high economic growth, CO₂ emissions have also been increasing rapidly. At present, the region accounts for 29% of the world's CO₂ emissions, three

times what it was 30 years ago. Asia is in a position to make a big difference to the future course of climate change. At the same time, it is also the region that is most affected by climate change. Some of the Pacific islands and many coastal cities in Asia are extremely vulnerable to rising sea levels. There are also fears of damage being sustained due to large-scale natural disasters or abnormal weather associated with climate change. Economic development that fails to take the environment into account is unsustainable. How the Asian region deals with climate change has a significant bearing on the international community, requiring a concerted effort on a global scale.

ADB's Long-term Strategic Framework (Strategy 2020) and Associated Challenges

New Long-term Strategy

I welcome the adoption of ADB's new Strategy 2020 that will guide ADB in addressing new development challenges facing the dramatically changing region by focusing primarily on achieving an Asia and Pacific region free of poverty with three specific key development agendas: inclusive growth, environmentally sustainable growth, and regional integration.

Monitoring of Individual Economies by ADB

In order to make progress in our biggest challenge of poverty reduction, it is important that each country continues its economic growth led by the private sector. To this end, it is necessary to continue to promote private sector developments, and improve the investment climate, which includes building necessary infrastructure. At the same time, we must be ready to be able to show flexibility in coping with the rapidly changing international economic situation. For example, the recent financial turmoil triggered by the subprime problem, has impacted many countries in ways that could never have been anticipated a year ago. Fortunately, the impact on the Asian region so far has been limited. We cannot, however, be lax in our preparedness. After the Asian currency crisis, Asian countries spent considerable time and energy in reforming their financial sectors, but the process is far from complete. As a development bank specializing in the Asian region, ADB needs to remain vigilant against such turmoil in the global financial markets, and to do its best to minimize the impact of such incidents, by capitalizing on its wealth of knowledge about the regional economies, and engaging in close exchange of information as well as continuing the policy dialogue with the countries in the region.

Strengthening of Capital Base

The successful conclusion of the negotiations on the ninth replenishment of the ADF will, without doubt, have a significant impact on our drive towards reducing poverty in Asia. Nevertheless, we must be mindful of the fact some of the largest populations living under extreme poverty in Asia reside in middle-income countries. While it is necessary that developing countries

themselves take ownership in implementing various measures, including proper redistribution of resources, to enable everybody to share in the economic growth, ADB must be ready to meet the abundant development needs, including improvements of infrastructure, with its ordinary capital resources (OCR). Therefore, I believe it is appropriate to commence a study on the need for a future general capital increase.

Assistance to Middle-income Countries

On the other hand, some middle-income countries have steady access to the capital markets, enabling them to raise funds at reasonable rates. ADB's involvement in such countries should be differentiated, by focusing more on non-lending operations, such as providing appropriate policy advice, and limiting its lending operations to areas directly related to international public goods, including climate change, and projects that are highly effective in reducing poverty in underdeveloped regions. It will be important for ADB to increase its efforts in its own capacity building so that it can meet the various policy needs of the middle-income countries by providing high value-added policy advice.

Regional Cooperation and Integration

Promotion of regional cooperation and regional integration in Asia has played an important role, and will continue to be the key, in Asian economic development. ADB has played a pivotal role in this area in the past. For example, the Greater Mekong Subregion (GMS) program is a framework for economic cooperation that was launched in 1992, centered on the six countries of the Mekong Basin (Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, and the People's Republic of China). ADB has supported this program by improving infrastructure with a focus on roads, and projects have been prepared to develop east–west, north–south and southern economic corridors stretching over multiple countries. The east–west corridor that extends over 1,500 kilometers across Thailand, the Lao People's Democratic Republic and Viet Nam has already been completed, dramatically shortening the supply chains of manufacturers operating in Thailand and Viet Nam. Over 7,000 Japanese companies have already invested in this area, and I expect that such drastic shortening of supply chains will lead to further expansion of markets and increase in investments in the region, contributing to sustained economic development, creation of jobs and subsequently to poverty reduction. I expect ADB to continue its leading role in regional cooperation and regional integration in Asia, capitalizing on its accumulated wealth of knowledge of the region.

Environmental Issues and Climate Change

In 2005, Japan hosted the Aichi “Love the Earth” Expo with global environment as its main theme. This year, Spain will host the World Expo in Zaragoza, with “Water and Sustainable Development” as the main topic. “Climate

Change” will be the central theme at the G8 Summit that Japan will host in July at Toyako, Hokkaido. Japan has already announced its initiative “Cool Earth 50” in which it calls for a halving of global greenhouse gas emissions by 2050. Japan has deployed many of its outstanding environment-related technologies to a large number of countries, and intends to continue making utmost use of its initiatives and technology as best practices in the environmental sector. Nevertheless, in order to halve greenhouse gas emissions by 2050, the international community must come together and act decisively. In view of this situation, Japan set up the Asia Clean Energy Fund at ADB to support energy conservation efforts in Asian countries. We have also been collaborating with the US and the UK on setting up another multi-donor trust fund for climate change. Discussions with individual countries on the early launch of the fund are currently underway.

Response to Soaring Food Prices

As I mentioned earlier, ADB should follow its new Strategy 2020 and focus on areas where it can build on its comparative strength. But at the same time, ADB needs to demonstrate flexibility to ensure that the urgent needs of the regional countries are addressed on a timely basis.

One example is the recent rise in food prices that is causing various problems to Asian countries. Especially, the recent hike in the price of rice is hitting Asian countries particularly hard. Those in the poorest segment of the population, including the urban poor, are the ones who are the most affected. They face the risk of deteriorating living standards and malnutrition. Unless social safety nets addressing the immediate needs of the poorest are put in place, this could lead to social unrest. We expect ADB to provide appropriate policy advice and financial support to the regional countries in need.

In fact, many countries have already introduced various emergency measures. They often include measures such as export restrictions that will not only distort the price mechanism of the markets but will further exacerbate the price hike in the international markets. Subsidies that are intended to keep domestic food prices under control carry the risk of becoming a significant burden to the budget and are not sustainable over time. In particular, measures that impose a heavy burden on the budget could destabilize macro-economic conditions if they are combined with increasing inflationary pressure coming from a rise in food prices. This must be avoided at all cost, and ADB should build on its competitive strength and work closely with other multilateral institutions in providing appropriate policy advice, including exit policies from undesirable measures. I expect that ADB will engage in close policy dialogue with the countries in the region and do its utmost to make sure that the current rise in food price does not inhibit the long-term growth momentum of Asian countries.

One of the causes of the recent price hike is said to be the increase in consumption of some developing countries, representing a structural change in the demand and supply of foods. So, in the medium to long term, it is

important to focus on improving the productivity of agriculture by improving irrigation and introducing better seeds. ADB should work together with its regional member countries in their effort to provide a long-term solution to this issue. We welcome the timely announcement made by President Kuroda on the soaring food price, which provided a comprehensive response by ADB on this issue, and we will give it our full support.

Organizational Management of ADB

ADB needs to constantly review its organizational and personnel policies in order to be able to respond to the changing environment and issues in Asia. Wherever necessary, bold revisions to the skill mix should be conducted, and efforts should be made to enhance human resources in such fields as climate change, energy conservation and finance. In this regard, I welcome the various initiatives on human resource strategies that have been presented by President Kuroda. The comprehensive review of human resource strategies, the adoption of flexible staff recruitment and the review of the Operations Evaluation Department (OED), which are scheduled to be implemented before the end of this year, will both strengthen ADB in terms of human resources and effectiveness of the organization. As a result of these initiatives, I hope that ADB will not only function as a financial intermediary, but also play a key role in resource mobilization and knowledge transfer.

Under the strong leadership of President Kuroda, ADB is continuing its initiatives to become a more efficient and effective organization, adapting to the changes in Asia. I expect ADB to continue to be the core institution of economic cooperation in Asia.

Conclusion

As Asia's only regional development bank, ADB has made significant contributions to economic and social development and to raising the standard of living in the Asian region.

As Asia experiences remarkable change, in order to attain and maintain prosperity for the Asia and Pacific region as a whole, we must attempt to solve many issues that need to be overcome.

Just as the pioneers who set off from Spain used to overcome many difficulties and accomplish great achievements, I hope that ADB, as Asia's multilateral development bank, will make substantial contributions to reaching our common goal of realizing an Asia and Pacific region free of poverty, by offering a direction for support to the Asian region under the new long-term strategic framework (Strategy 2020), and by playing a pivotal role in coordinating support from various countries and institutions.

KAZAKHSTAN

DAULET YERGOZHIN, Temporary Alternate Governor

Let me express gratitude to the hospitable and sunny country of Spain for its hearty welcome and to Asian Development Bank (ADB) President Haruhiko Kuroda and his colleagues for the organization of this event. I am glad to deliver this speech today at this meeting of the Board of Governors of ADB. During recent decades, ADB activities have made a significant contribution to the vast region of Asia.

Kazakhstan has always paid significant attention to cooperation with leading world financial institutions, one of which is ADB. We consider ADB an important financial institution for securing the stable economic development of Asian countries.

Ten years ago, together with ADB we prepared a strategic plan for the development of Kazakhstan. Since then Kazakhstan has received more than 80% of total investments in Central Asia. Our economy grew at an average of more than 10% a year during 2000–2007. Such a pace will allow us to double our GDP in 2008 in comparison to 2000, 2 years earlier than foreseen in the strategic plan.

In order to effectively implement such a long-run strategy, we have to meet one of the principal provisions, which are practical realization of given criteria. For the next 5 years we have approved 30 projects that will be particularly important for future generations for up to US\$40 billion. More than a half of these projects (18) will be implemented in the infrastructure sector. The top priorities are the development of new eco-friendly power plants for electricity production, railroads, gas and oil transport infrastructure, and, of course, agriculture.

The projects are going to be realized on the basis of private–public partnerships. The Government is ready to cofinance them and even to provide government guarantees for international lenders.

At the same time as we are facing some challenges connected with turbulence in world money markets, we have managed to keep the wheel in our hands. We project that the rate of growth for this year will be 5% at a minimum and that reserves in the oil fund will exceed US\$25 billion. Our commercial banks have fulfilled all their credit obligations and repaid all their debts.

These facts have confirmed that the policy and the strategy that were created with the participation of ADB were right and that they have been successful. We would like to say that we welcome the strategic directions for ADB activities for the coming decades that have been discussed here, including the general capital increase.

However, some rating agencies have started to use standards for measuring sovereign country ratings that are not clear to us. In some countries banks are writing off billions in losses and they are treated in one way, whereas countries where banks are paying back their debts in a timely manner and

showing profit growth are treated in another way—by having their ratings downgraded. We hope that we will come to understand the logic of these new worldwide standards.

A big role in cooperation with ADB is given by Kazakhstan to the Central Asia Regional Cooperation Program (CAREC). Kazakhstan acknowledges the new initiatives of the CAREC Program and approves its further measures to expand cooperation.

Taking into consideration the institutional potential of donor partners in the CAREC Program, we support the initiatives to conduct research in the region on the existing problem issues.

I would like to particularly note CAREC's aspiration to strengthen integration processes in Central Asia. Such initiatives foster a regional drawing together, potential development of transit routes, settlement of transboundary problems in the Central Asia region, and the creation of equal business environments. Even if there has been some misunderstanding with respect to the creation of a common economic area in Central Asia, which was proposed by the Republic of Kazakhstan, we hope that, with the help of supporting organizations and our common wish to bring growth and prosperity in our region, we will find ways to our common success.

From our side we are willing to continue undertaking an open economic policy based on cooperation with international financial institutions and, as a member of ABD, we are ready to participate actively in the realization of the principles that are outlined in the long-term strategic framework 2008–2020 (Strategy 2020). Only united can we bring prosperity and success to our region.

REPUBLIC OF KOREA

MAN-SOO KANG, Governor

It is a great pleasure to be with you here in Spain, a country full of beauty and passion. I would like to take this opportunity to applaud President Kuroda and his staff for their dedicated efforts to support the development of Asian countries. My thanks also go to the Spanish government and the people of Madrid for their warm hospitality and excellent arrangements for this meeting.

Since the Asian financial crisis, our region has maintained an annual growth rate of 6%, emerging as a key growth engine for the global economy. However, there are also a number of challenges ahead. Globally, we are facing risks such as slowdown of the world economy, rising food and energy prices and increasing global imbalances.

Within our region, we are experiencing a chronic shortage of infrastructure, while facing an urgent need to address environment issues and the widening income gap among countries. These challenges highlight the important need

for closer economic and financial cooperation among Asian Development Bank (ADB) members.

During the past year, ADB has taken several important steps forward in its reform agenda. First of all, the long-term strategic framework 2008–2020 (Strategy 2020) was finalized under the President’s strong leadership, advancing ADB’s efforts to establish itself as an efficient provider of development financing.

We are also observing ADB’s efforts to improve its institutional efficiency, including a comprehensive review of human resources management. The Government of the Republic of Korea fully supports the ongoing reform initiatives of ADB and looks forward to their successful implementation. Let me briefly comment on the future directions and priorities, which will build upon past achievements.

First, I would like to see a stronger focus on infrastructure investment. As demonstrated by the Republic of Korea’s development experience, broadening the industrial production base, and enhancing support for infrastructure and financial services is a key to achieving higher growth and reducing poverty. In particular, more resources of ADB need to be allocated to building information technology (IT) infrastructure as well as traditional infrastructure such as roads and ports.

Second, when operating in low-income developing countries, ADB should place higher priority on increasing agricultural productivity. This will be critical to overcoming the problem of soaring food prices and ultimately, to reducing poverty. In the longer-term perspective, these developing countries should be provided with systematic programs aimed at improving their own capacities for efficient execution of ADB’s financing.

Lastly, environment and energy issues are another important area for ADB. Environment and energy problems in Asia are posing a threat to sustainable growth of the region and their impact is becoming more global. I believe ADB has a bigger role to play in this regard.

The Government of the Republic of Korea is committed to sharing lessons learned from our development experience with developing member countries. To this end, we established the E-Asia and Knowledge Fund in 2005. This year, I am very happy to announce the Korea Infrastructure Initiative which will scale-up our co-financing facilities with ADB to around US\$3.5 billion over the next 3 years. This initiative will greatly contribute to tackling the shortage of infrastructure, further solidifying cooperation between the Republic of Korea and ADB.

Today, I am glad to take this opportunity to talk about our new administration’s economic philosophy, “MBnomics”, which takes the initials of our new president Myung-Bak Lee. “Business-Friendly” best summarizes the spirit of “MBnomics”. Drastic deregulation and tax cuts are to be conducted to create a business-friendly environment. Looking ahead, the Government of the Republic of Korea will also foster new growth drivers to ensure that

research and development (R&D) investment reaches 5% of GDP by 2012, while focusing on the counter-cyclical role of fiscal policy.

Before closing, I would like to ask ADB and its member countries for their interest and support for the Democratic People's Republic of Korea. To encourage it to open and reform, I believe it is important to integrate the Democratic People's Republic of Korea into the global community. This will be a challenging task which requires the efforts of both Koreas as well as the cooperation of the global community. The Government of the Republic of Korea is pursuing "Vision 3000, Denuclearization and Openness Initiative" to help the Democratic People's Republic of Korea realize a per capita income of US\$3,000 if it abandons its nuclear ambitions and opens its doors to the world. In this process, I have no doubt that the ADB's forward-looking stance and support will be crucial.

ADB has been a key contributor to the economic development of Asian countries. I express my most sincere appreciation for the important role it has played since its founding. I hope ADB will always remain a trusted development partner, so that more developing countries in the region can enjoy the fruits of growth in the near future.

KYRGYZ REPUBLIC

TAJIKAN KALIMBETOVA, Governor

It is an honor and privilege for me to welcome all the participants at the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) on behalf of the Government of the Kyrgyz Republic.

Let me express my sincere appreciation to the Management and staff of ADB, personally to the ADB President Mr. Haruhiko Kuroda, as well as to the Spanish authorities for the excellent organization of the meeting and for their generous hospitality.

ADB is a key international financial institution in the Asia and Pacific region, which has great potential to contribute to the process of economic and social development in the region through effective cooperation with its members and other international financial institutions. I would like to note that the new long-term strategic framework 2008–2020 (Strategy 2020) is in line with the Millennium Development Goals, as well with as the challenges lying ahead for Asia and the Pacific region. The Kyrgyz Government believes that Strategy 2020 will be an effective guide to the achievement of sustainable development and poverty reduction in the region.

Taking into consideration the great contribution of ADB to the region's economic and social development, I would like to emphasize the significance of its assistance to the economic and social development of the Kyrgyz Republic. ADB's work is directed toward support of the priority tasks of the Kyrgyz Government and to resolving acute social challenges and successfully

implementing development projects in such areas as transport infrastructure, agriculture, and education.

Let me express sincere appreciation to the ADB Management and President for the decision to approve a new grant framework, which has enabled the Kyrgyz Republic to receive 100% of its Asian Development Fund (ADF) assistance in grants. This was an important move for the Kyrgyz Republic.

As a result of the efforts of the Kyrgyz Government, we have been able to achieve 8.2% economic growth in almost in all sectors of the economy. The flow of direct investments and foreign trade have both increased. Budget revenues grew significantly last year, which enabled the Government to increase pensions and wages for public service. The Kyrgyz Republic created a platform for structural reforms in the energy and mining sectors and started works on the construction of huge energy projects. Road construction activities are underway for international corridors as well as for national roads, and we recognize the major contribution of ADB to such infrastructure projects.

The approval of the country development strategy for 2007-2010 was another important event of 2007. This is a mid-term strategic document setting out a vision and priorities for the Government until 2010 and covers: (i) growth-oriented economic development and improving the business environment, (ii) human and social resources development, (iii) environmental sustainability, and (iv) improving governance.

On the basis of this country development strategy, ADB and other key donors adopted a joint country support strategy for 2007-2010, which is in close alignment with the key priorities of the country development strategy.

The further development of the country on basis of priorities established in the country development strategy will be carried out through the performance of tasks set by the President at the beginning of this year. These will be directed at the introduction of new financial tools to mobilize free financial resources within the country, support for infrastructure and the modernization of economy to intensify domestic output, provision of qualified personnel for the economy, modernization of fiscal policy, reforms in the social sphere, and development of regions.

Given the geographically favorable location of the Kyrgyz Republic, the Government's policy is directed at extending and deepening regional cooperation. The Government welcomes all the regional initiatives proposed by ADB, and attaches high importance to the Central Asian Regional Economic Cooperation (CAREC) program, which the Kyrgyz Republic participates in actively. The CAREC program will enable the Kyrgyz Republic to become an economic corridor between the south and north, and the west and east of Asia. Under CAREC, we look forward to a deepening of trade relations with neighboring countries, development of power production capacity, and access to foreign energy markets.

In conclusion, I would like to join my colleagues, the other Governors, in expressing deep gratitude to the President of ADB, Mr. Haruhiko Kuroda, the

ADB staff, and Executive Director Mr. Keppie Sumadilaga for their fruitful work during the last year. I would like to wish you all the best for the future and assure you of the support of the Kyrgyz Republic in the coming years.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

SOMDY DOUANGDY, Governor

It is a great pleasure for me and my delegation to be present in this historic city of Madrid and to address the 41st Annual Meeting of the Board of the Governors of the Asian Development Bank (ADB). I join my fellow Governors in congratulating our chair and would like to express my deep appreciation to President Kuroda and his team for their dedication, commitment and leadership in steering ADB toward achieving its overarching goal of realizing a poverty-free Asia and Pacific region. I would like to extend our special thanks to the Government of Spain and the people of Madrid for their warm hospitality and excellent arrangements.

Let me take this opportunity to update the meeting on recent developments in the Lao People's Democratic Republic (Lao PDR). The Lao economy continues to perform well. Driven by the hydropower and mining sectors, growth accelerated to 8% in 2007, above the previous 5-year average (7.5%). Although inflation reached an all time low of 4.1% in 2007, it is being aggravated by pressures from rising domestic imported food and global oil prices. The exchange rate stabilized in 2001 and has since ranged between KN8,500 and KN10,000 per US dollar. Broad money (M2) has been expanding at an average of 20% over the past 3 years, reflecting the expansion and increasing the monetization of the economy.

2007 was a milestone year for the Lao PDR as the Government achieved many significant outcomes, including those relating to creating a favorable environment for domestic and foreign investment. These have resulted in foreign direct investment increasing significantly during the last few years, particularly in the hydropower and mining sectors. The trade balance has been in surplus for the first time. In addition, the government is working to reduce poverty and lift living standards by enhancing basic social services for the poor, particularly in education and public health. With GDP per capita reaching US\$680 in 2007, the incidence of poverty declined to an estimated 29% in 2007 from 33% in 2003. Steady progress is being made toward achieving the income poverty target of the Millennium Development Goals (MDGs).

In order to fulfill its socioeconomic development plans for the coming years, the Government of the Lao PDR has begun major reforms, including a continued focus on improving the business environment; enhancement of investment efficiency; greater progress in public financial management reform, particularly centralization of revenue administration, treasury functions, and the redesign of the intergovernmental fiscal relationship; and

acceleration of banking sector reforms. On Lao PDR's economic integration with the rest of the world, the government has continued to reduce tariffs according to its ASEAN Free Trade Area (AFTA) commitments, and to accelerate preparations for World Trade Area (WTO) accession.

The economy is projected to continue its robust performance over the next 2 years, with growth expected to remain above the 5-year average, given the ongoing reforms. Although inflation has been at historic lows, it is expected to be aggravated by rising global oil and food prices and may slightly increase. The external balance of payments is expected to remain stable as foreign direct investment continues to expand. While the pace of reforms is gaining momentum, the Government recognizes that challenges remain in diversifying the sources of growth and in enhancing the capacity for more prudent public financial management of windfall revenues from the natural resource sectors for priority health and education services.

Lao PDR would like to congratulate the ADB Management and donors for successfully concluding the ADF X negotiations. As this entails an increase in the ADF allocation, we presume this will also require an adjustment to ADB's performance-based allocation system, so it can be less volatile, the share of blend countries can be capped, and a larger share can be allocated to smaller countries. Given the enormous development needs of Lao PDR, the current level of ADF allocation is insufficient. Lao PDR would welcome an increase in its ADF allocation.

Lao PDR also welcomes the earmarking of 12% of available funds for subregional projects. Such projects allow a number of countries to benefit and are cost-effective because of economies of scale. They also enhance regional cooperation and economic interdependence. The increased grant element in ADF-funded projects is also a welcome measure. Even though the provision to reduce the allocations by 20% as a volume discount is somewhat harsh, the amount will still be available to the subregion in the form of hard-term lending. This mitigates the impact somewhat and the overall package is acceptable.

Lao PDR would like to pursue the options of availing of alternative financing from ADB for revenue-generating projects. Given its huge development requirements, especially in the hydropower sector, Lao PDR would like to explore the options of receiving alternative financing from ADB, including from its ordinary capital resources (OCR) facility. However, Lao PDR notes that, even for OCR, there is the headroom issue, which will limit ADB's capacity to respond to requests from Lao PDR and other DMCs for OCR operations. Lao PDR would like to request ADB to address this issue so that it can provide responsive assistance to its DMCs, including Lao PDR.

One of the most important issues to be discussed and finalized during this Annual Meeting is the new long-term strategic framework 2008–2020 (Strategy 2020) of ADB. Lao PDR supports Strategy 2020 and the decision to concentrate on ADB's core competencies. In line with the Government's sixth social-economic plan, Lao PDR appreciates Strategy 2020's continued

support for transport, finance, higher education, the environment, and regional cooperation. While there has been shift from the agriculture and health sectors, the Lao PDR would appreciate it if ADB could continue providing assistance to rural development, given that the bulk of the country's poor live in rural areas. Similarly, as health will no longer be a priority sector, it is suggested that ADB should move from the sector gradually, given the importance of the sector in helping Lao PDR achieve its non-income MDGs. Of particular interest to Lao PDR is the greater emphasis on regional cooperation. This augurs well for ADF countries like Lao PDR, as it will allow the larger countries to join others in projects of mutual interest.

Lao PDR supports ADB's initiative to create a fund to deal with climate change. The fund will complement the clean energy initiative launched in 2007. We would like to see these two funds providing technical inputs and core financing to tap renewable energy in our region and also to help DMCs to pursue environmentally sustainable energy use.

In conclusion, on behalf of the Government of Lao PDR, I would like to express our sincere appreciation to the Management and staff of ADB, and fellow member countries for the assistance given to the Lao PDR. I would also like to extend the Government's continued support for collaboration with ADB in realizing tangible development results for Lao PDR. I wish the meeting success.

LUXEMBOURG

JEAN-LOUIS SCHILTZ, Governor

The Asian Development Bank (ADB) is at a crucial juncture in its history. In 42 years, the Asian continent has changed dramatically and so has this institution. This change has been accelerated in recent years by unprecedented growth in the region. Like all of us, ADB has been trying to grapple with the fast pace of events. Strategy 2020, ADB's new long-term strategic framework, sets the right tone. It is a first step on a long road toward the organization's transformation. The scope for ADB to emerge as a completely new institution is given, but the road remains to be defined.

Now we have to build this road, define its slope, the number of curves and lanes, the construction material, the amount of workers needed and, of course, the price. We need to engage in a meaningful dialogue on all of these issues and explore options together. There will be no right and wrong, there will be a lot of room for maneuvering in the positive sense. We need to put our heads together to see how to best move forward.

Infrastructure needs in the region are substantial, in particular when it comes to building up energy supplies. ADB has a role to play in that context. ADB's reputation and skills go far beyond its financial resources. We strongly encourage ADB to develop its catalytic role as a broker and facilitator. This

means that the institution more than ever needs to consolidate its knowledge basis, develop its guarantee and risk mitigation products, and work on creating attractive and safe investment environments.

This is of particular importance in the area of clean energy. Asia's share of global greenhouse gas emissions from energy consumption will increase from the current 29% to 42% in 2030. We are trying to do our part in Europe and have been setting binding targets for emission reductions. Looking at the global picture, it becomes very clear: Asia is one of the keys. Without increased and urgent action in Asia, it will not be possible to prevent dangerous climate change at a global scale.

We need to take action now. ADB is well placed to become a leader in promoting the clean energy agenda, making energy efficiency and renewable resources the center of its work in the energy sector. As a key player in the region, ADB needs to set the stage and cannot afford to be seen as halfhearted on an issue of such importance for all of us and, even more so, for our children.

This leads me to a dimension which seems a little tucked away in ADB's new strategy, the millions of poor. At the end of the day, it is they who matter. Our job is to improve their lives. In this context, we have been following with a keen interest the discussions on safeguards policies. While we need to be pragmatic about their application and focus on implementation, we cannot afford to dilute their essence if we want to maintain the high standard of ADB's work. We also need to look more openly at the gender dimension in our projects. Women are key to sustainable development and we would like ADB to put a greater emphasis on gender issues.

Last week we successfully concluded negotiations for the ninth replenishment of the Asian Development Fund (ADF X), the biggest ever in ADB's history. This is an instrument whose strategic importance we must not undervalue in a region where growth paths differ widely. As has been mentioned by many, rising food prices are complicating the road to development. We encourage ADB to coordinate with other players in this area.

Let me conclude by addressing some vital institutional issues.

An ambitious agenda like the one of Strategy 2020 calls for a very strong and solid institution. ADB has implemented wide-ranging reforms. It has become more responsive and more focused on development results. We welcome these developments, but much more needs to be done. In particular, on corporate governance, we feel that the institution is dragging its feet. We urge Management to work with the Board of Directors to set up the structures which will make ADB a model in its class. There is certainly room in this context for ADB to make more out of the outstanding professional skills of the people working for it.

In all these important and challenging endeavors ahead, let me assure you of Luxembourg's fullest support. Finally let me express my warmest thanks to the Spanish authorities for their gracious hospitality.

Thank you.

MALAYSIA

DATO' KONG CHO HA, Governor Ad Interim and Head of Delegation

On behalf of Malaysia, I would like to express our gratitude and appreciation to the Government of Spain, the people of Madrid, and the secretariat of the Asian Development Bank (ADB) for the excellent arrangements and warm hospitality extended.

I also take this opportunity to congratulate ADB for its 41st anniversary celebration and believe this is a crucial year for ADB, especially on the back of the rising cost of food and high oil prices that pose new challenges to economic growth.

Malaysia would like to join other countries in congratulating ADB for its successful conclusion of the Asian Development Fund (ADF) X replenishment negotiations, with overwhelming support from donor countries.

Malaysia welcomes ADB's recent corporate-wide planning document, the long-term strategic framework 2008–2020 (Strategy 2020), which provides policy statements and strategic directions for ADB in the next 12 years. We are hopeful that ADB will continue to be the focal point for cooperation and coordination and, more importantly, continue to be the facilitator, trusted advisor, and long-term development partner for many developing member countries in the region.

Malaysia is very much committed to maintaining its strong relationship with ADB. Malaysia is reengaging with ADB by agreeing to adopt the country partnership strategy with ADB. Malaysia certainly can benefit from ADB's expertise, knowledge products, and technical services, while continuing to cooperate in policy dialogue and encouraging new direct financing of projects, especially through private sector participation and nonsovereign operations.

At the regional level, we view seriously the current economic and social problems, especially in dealing with persistently high energy and food prices and the impacts of the global slowdown on export earnings. The sharp and pervasive increase in prices of essential goods and basic commodities will adversely affect the real incomes of poor households and consequently curtail the progress that has been achieved thus far on poverty reduction. There is also the possibility that some middle-income countries will not be progressing fast enough, or even slip back and fall under the "middle-income trap", because of rapid growth in their population, and failure to further diversify their economies and improve overall competitiveness. We call upon ADB to assist in formulating measures and be more flexible in its approach to allocating financial resources to enable an increase in food production and ensure that food supplies reach the needy quickly.

Infrastructure needs remain enormous in the Asian region, especially in fast growing economies like Viet Nam, India, and the People's Republic of China. Malaysia encourages ADB to continue strengthening long-term partnerships with other multilateral development banks and development

partners by coordinating and streamlining all works and activities, and addressing their pressing infrastructure needs, especially in the rural areas. In addition, there is a need to ensure that financial sector development really supports the real economy, by mobilizing financial resources both domestically and externally, and channeling them for productive investment purposes through more efficient and greater flow of funds.

Malaysia supports the scaling up of private sector development and adoption of market-based systems, thus increasing the number of highly open economies in the region. As such, we see a real need for ADB to enhance its support for private sector activities, especially in specialized areas that will directly help to facilitate and enhance greater private sector participation in the years ahead. These efforts should include measures to improve overall efficiency and transparency that will eventually help to lower the costs of doing business and encourage greater innovation, including the use of modern technologies.

In conclusion, Malaysia will continue to support the ADB in all its endeavors and is looking forward to working closely with the ADB and member countries in enhancing economic growth in the region.

Thank you.

MALDIVES

RILUWAN SHAREEF, Alternate Governor

May I first of all express our sincere gratitude to the Spanish Government for the kind hospitality accorded to the Governors, and the excellent logistics provided for this 41st Annual Meeting of the Asian Development Bank (ADB) in this historic and beautiful city of Madrid. The magical opening event with world-renowned Spanish talent and the honor of this session being graced by His Majesty the King of Spain, all make this indeed a very special annual meeting.

At the outset, may I echo the sentiments of fellow governors in conveying my delegation's condolences to the people of Spain for the loss of their beloved previous prime minister H.E. Leopoldo Calvo Sotelo, and to the people of Myanmar for the grave loss of life during the recent natural disaster.

We meet today at a time when many developing member countries (DMCs) are faced with serious challenges, not the least of which is the global food crisis and the record-high oil prices, along with several commodity prices in the world markets.

We discussed ADB's long-term strategic framework 2008–2020 (Strategy 2020) on Sunday, and, as has been voiced by several governors, the strategy is relevant and important in guiding the work of ADB in achieving the dream of an Asia rid of poverty. May I use this opportunity to congratulate the group of eminent persons, President Kuroda, and his staff for their valuable

contributions to this important work. However, at the same time, as a DMC), we wish to reiterate the importance of not losing the focus of ADB's mandate, and of continuing to fight poverty through inclusive and environmentally sustainable growth, by supporting critical areas such as agriculture and water resources for the most needy. More resources must be made available for public sector investment while at the same time enhancing the ordinary capital resources window for leveraging of the private sector.

There are two critical challenges faced by Maldives, and by other small and vulnerable island economies. The first is the plight of these low-lying islands in the face of climate change and particularly the effects of sea level rise.

The Maldives has adopted a National Adaptation Plan of Action as the guiding principle for mainstream adaptation to climate change in all infrastructure development. The population and development consolidation program, and the concept of developing selected safe islands are all aimed at creating fewer and safer land masses for the people of Maldives. With some of strictest laws on the preservation of marine ecosystems in the world, we strive to plan a future that is more prosperous, economically sustainable, inclusive of essential social services, and safer from natural disasters and sea level rise.

The potential threat to the Maldives from climate change is so serious that we brought this to the attention of the global community as far back as 1987. Over the past more than 20 years we have unfortunately not seen enough global action to mitigate the negative effects of climate change. There now appears to be some hope that the Bali Plan of Action and other heartening developments will start at least minimizing if not reversing global warming.

I wish to gratefully acknowledge the European Commission's declaration of support to the Maldives' Safe Islands program through the Global Climate Change Alliance and the recent adoption of the resolution by the United Nations Human Rights Council on the protection of human rights from the effects of climate change. We are immensely grateful to the countries that have supported these outcomes and applaud their courage and resolve.

We urge the ADB membership to stand by these resolutions and commitments and assume a strong role in seeking and mobilizing the resources needed, minimizing aid fragmentation, and adopting innovative tools for financing this dire need, even if it means digressing a bit from the norms ADB is used to. The issue is so serious we believe that tradition and institutional bureaucracy should not get in the way of the world's desire to reverse global warming ... if that desire indeed is global.

The second critical issue is soaring commodity prices, especially of food and fuel. Maldives imports essentially all consumer goods, including food. The weak US dollar to which our currency is pegged and the tightening of dollar resources are putting a lot of strain on our reserves, and capital squeezes in foreign currency markets are placing small and medium enterprises at risk of shutting up shop.

We urge ADB to urgently act and make available alternative financing mechanisms to assist DMCs to cope with high inflation and strained balance

of payment positions. In addition, ADB could, with assistance from its membership, attempt to stabilize world commodity prices.

Maldives congratulates President Kuroda and the donor community for having successfully concluded the ninth replenishment of the Asian Development Fund (ADF X) negotiations, and thanks the donors for having come up with a high net ADF envelope. I wish to request ADB to allow formal representation of non-donor DMCs in these negotiations in the future. In conclusion, I wish to the Chairman and through him the people of Spain and the municipality of Madrid for the warmth hospitality and excellent arrangements accorded to the delegates at this 41st Annual Meeting of ADB.

MONGOLIA

CHULTEM ULAAN, Governor

It is my pleasure to be here in the fascinating city of Madrid and to represent the Government of Mongolia at the 41st Annual meeting of the Board of Governors of the Asian Development Bank (ADB). I join fellow governors in thanking the Government of Spain and the people of Madrid for the warm hospitality extended to us.

This year's meeting coincides with two very important events for ADB and all its member countries: the launching of the Long Term Strategic Framework 2008–2020 (Strategy 2020) of ADB and successful conclusion of Asian Development Fund (ADF) X negotiations. As a country benefiting from ADF, I would like to express our sincere gratitude to all ADF donors for their generous contributions.

We are also thankful to ADF donors and ADB management for the importance attached to supporting regional cooperation. We highlight the substantial increase of funds to be allocated to regional projects under ADF X. As an active member of the Central Asia Regional Economic Cooperation (CAREC) program, Mongolia believes this will be a major step toward achieving development results in our region.

Over the last year there have been continuing discussions regarding the role of ADB in the changing circumstances of the region. Indeed, the Asia and Pacific region has seen remarkable economic growth in the past four decades, and last year was another banner year with an average growth rate of 7.6%. In Mongolia in particular we enjoyed a high growth rate of 9.9%, with GDP per capita exceeding US\$1,400.

Unfortunately we cannot say that last year has been without challenges, with surging prices for oil and basic food commodities on the world market affecting the poorest people the hardest.

In the light of such vulnerability, and with poverty and inequality still persisting in low- and middle-income countries alike, we must be careful when re-examining the traditional role of ADB as a development bank. While

we appreciate ADB's efforts and achievements in the reform agenda, we cautiously note a widening difference between ordinary capital resources (OCR) and Asian Development Fund (ADF) operations of the bank, and the emergence of an "investment bank" direction in some thinking. While we, as shareholders, value and benefit from the bank's AAA rating, we believe that ADB should remain first and foremost a development organization, and that poverty reduction, not profitability, should be the single most important objective of the bank.

We are glad to see from the donors' report that ADF X negotiations have put considerable emphasis on supporting poorer and weakly performing countries. Having said that, we would like to stress that all ADB operations, not just those of ADF, should be geared toward achieving the overarching goal of poverty reduction.

Furthermore, for many ADF-only countries who have limited access to low-cost commercial credit, assistance from bilateral and multilateral partners such as ADB is a major source of investment in public goods after budget resources. As a major development partner, often ADB is trusted by its developing member countries (DMCs) as the partner for the development of the country overall, not just few specific sectors. Therefore we must approach the selectivity of operational areas with a certain degree of flexibility to allow consideration of specific and diverse country needs.

For the purpose of ensuring sustainable financial resources in the long term, we support the proposal expressed by other governors for a general capital increase.

In the new Strategy 2020, we appreciate ADB's recognition that agriculture and rural development remain fundamental components of an inclusive growth strategy, and that the bank will provide focused assistance to agricultural and rural development. In the wake of recent surges in food prices and concerns about food security, we hope that ADB will exercise flexibility in implementing Strategy 2020 to broaden its involvement in agriculture to assist DMCs to mitigate the short-term impacts of this rise and to find long-term solutions to ensure supply sufficiency.

Finally, we commend ADB's commitment to the Paris Declaration, with its focus on effectiveness, accountability and transparency. Having said that, we believe that donor commitment alone is not sufficient, and that the capacity of developing countries to take on responsibilities is extremely important to achieving Paris Declaration objectives. We believe that ADB's strong policy statement on becoming a knowledge bank is extremely fitting and useful toward this end, and we wish President Kuroda and his staff every success in this endeavor.

I would like to close by expressing once again our deep appreciation of ADB's Board, Management, and all staff for their unyielding efforts in promoting growth and prosperity in the region. As always, we remain thankful to ADB for the continued support for development of Mongolia and look forward to a strong partnership in the years to come.

MYANMAR

HLA THEIN SWE, Governor Ad Interim

It is a great pleasure and honor for me to be here, representing Myanmar, and to have the chance to address this auspicious occasion. We are very pleased that Spain is hosting this event for the very first time in this very beautiful and scenic city of Madrid.

Allow me to join the previous speakers and express, on behalf of the Myanmar delegation, our deep and sincere appreciation to the people and Government of Spain for hosting this 41st Annual Meeting of the Asian Development Bank (ADB), for extending a warm welcome and hospitality to us since our arrival, and for making us feel as though as if we were at home. I would also like to thank the management and staff of ADB for making excellent arrangements for the success of this meeting.

I would also like to congratulate the chairman. Mr. Chairman, with your wide experience and under your guidance, I am certain that the meeting will be a very fruitful and successful one.

Unlike last year, we are here today under quite different circumstances. The world economy is slowing down, oil and food prices are rising, sociopolitical tensions are still rising, and outbreaks of contagious diseases and natural disasters are continuing to occur. However, it is heartening to know that most of the countries in our region have remained resilient to outside disturbances. Nevertheless, we should not be complacent, as there remain risks and challenges that need to be overcome. We need to collaborate and cooperate more in order to mitigate the effects of those disturbances while at the same time contributing to the continuous growth of our region.

May I now highlight some elements of the economic development of Myanmar. Short-term economic plans have been formulated and implemented since 1992–1993, 2007–2008, which just ended in March, was the second year of the fourth short-term plan and the targeted growth has been achieved due to balanced growth in all sectors of the economy.

Agriculture, with a share of more than 30% of GDP, remains the mainstay of the economy. However, as Myanmar intends to industrialize the country, industrial zones have been established. Plans are also underway for the establishment of special economic zones and relevant laws, rules, and regulations are in the drafting stage.

The share of expenditure for the agriculture and industrial sectors has been on the rise for the past 6 years. However, as the main goal of the country is to reduce poverty and uplift the living standards of the population, expenditures on the social sectors and border area development are also increasing year by year.

In the education sector, the total number of high schools in 2007 has increased by 190% compared with 1988. Likewise, the number of middle schools has increased by 53.8%, the number of teachers by 49.3% and the total

number of students by 49.6%. In the border areas, new schools have opened and they are attended by many students. At the same time, the quality of teachers has also been upgraded.

Expenditure on the health sector has also been increasing and the necessary steps have been taken for health sector development. Therefore, malnutrition of children under 5 years is not specific in Myanmar. The malaria morbidity rate has been declining. The National Tuberculosis Programme has been implemented since 1994 and, as a result, the case detection rate and the treatment success rate have also increased. The National AIDS Programme has been launched and concerted efforts have been made in collaboration with UN agencies, international nongovernment organizations (NGOs), and regional organizations.

The poverty gap, which is an indicator measuring poverty, is also minimal. Therefore, it can be said that, due to our efforts, we have been able to attain most of the Millennium Development Goals (MDGs). We intend to make more efforts in order to fulfill all the MDGs on time.

We have a stable and sound banking system in place, with the banks in compliance with internationally accepted standards and norms. Due diligence and efforts have been made to prevent money laundering and financing of terrorism through our financial system. Our external position is favorable and it has been in surplus for more than 5 years resulting in an increase in gross foreign reserves. Only inflation remains an obstacle as it is rising. The increase in inflation may be partly attributable to the budget deficit. In the absence of external financial assistance for more than two decades, we have had to rely mainly on our own resources for the necessary infrastructure development expenditure, so the public sector budget has been in deficit for some time. However, plans are underway to balance the budget in the next few years.

At this point, I should mention that Myanmar is still a transitional economy and is not yet a full market economic system or fully integrated into the global economy. The achievements thus far have been attained by relying mainly on our own resources with little assistance from outside. Our country's efforts, if supported internationally, would have been more robust and successful. With or without international assistance, we intend to strive harder in order to maintain the growth momentum that we have achieved not only for the benefit of our country but also for the benefit of the whole region.

The achievements that we have made thus far have been commendable. However, some risks and challenges still remain, such as the prospect of a continued global slowdown, a rise in oil and commodity (especially food) prices, the economic sanctions imposed by some advanced countries, and the absence of international assistance for more than two decades.

As have been stated, Myanmar is not yet fully integrated into the global economy, so the recent global slowdown may have only a limited impact. Myanmar has been lucky as it has a sufficient food supply. Our priority is domestic sufficiency and only the surplus will be exported. We have ample supply of food for our nationals and we have even been able to assist some

neighboring countries that have faced natural disasters and difficulties. Therefore, our main problem remains the economic sanctions imposed on us, which are wholly politically motivated and without any viable economic reason. We would like to state that sanctions are not beneficial, either to the countries that impose them or to the countries that have sanctions imposed on them. We therefore call for the abolition of the sanctions.

We are also a legitimate member of international organizations, such as ADB, the International Monetary Fund (IMF) and the World Bank, all of which have refrained from giving any financial assistance to us for quite a long time. We would like to use this opportunity to call for these institutions to resume normal relations with Myanmar. Whatever the outcome, Myanmar remains committed to fully cooperating with these institutions in order to promote domestic, regional and global growth.

Myanmar intends to take all necessary actions to maintain its growth momentum while overcoming any obstacles that it may encounter on its way to development. We are certain that our efforts will assist not only the prosperity of our country, but will also benefit our region and consequently will contribute to global growth.

NEPAL

DR. RAM SHARAN MAHAT, Governor

I feel honored to address the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) today as Nepal's head of delegation in this beautiful city of Madrid.

Let me begin by expressing deep sympathies and condolences to the people of Myanmar for the unprecedented tragedy they have suffered from a devastating cyclone. Myanmar deserves all possible emergency support from the global community at this time of great need.

I congratulate ADB for bringing out the long-term strategic framework 2008–2020 (Strategy 2020). The strategy shows ADB's commitment to address emerging challenges, embracing new opportunities, and moving in new directions for rooting out poverty and deprivation in the Asia and Pacific region. It is a sad fact that the region is still home to more than 600 million absolute poor whose daily earnings are barely enough for two meals a day. We welcome and strongly support ADB's target to reduce the number of such people to 2% by 2020. This is not easy task, though, and will require sustained economic growth in which the poor will feel their stake in generating its momentum and reaping its benefits. We view ADB's role in promoting this pro-poor, sustainable growth through adequate resource commitment as crucial; and, therefore, the replenishment of the Asian Development Fund (ADF), for which the negotiations have now been successfully concluded, is immensely significant. I would like to thank the donors and congratulate

the ADB member countries and the management team for their hard work in reaching this commendable success. We are in agreement that, likewise, regional cooperation and integration would enhance developing member countries' (DMCs) potentialities for growth by expanding trade and joint investments, and strengthening connectivity through advancing transport and information and communication technology.

The operational framework for supporting agriculture and rural development, as well as the health and disaster management, would be helpful for the DMCs. In Nepal, over four fifths of its population lives in rural areas, more than one third of its GDP comes from agriculture, and two thirds of its economically active population adopts agriculture as its source of livelihood. There is limited commercialization of agriculture as it is mostly subsistence-based. A large chunk of the farm is still monsoon-dependent, making agricultural productivity vulnerable to the uncertainty of the weather. Development of agriculture and the rural economy would, therefore, generate gainful employment among the rural population and contribute to the objective of socioeconomic development and poverty reduction in the country. Likewise, child malnutrition is another area where Nepal's situation demands much improvement.

Things have changed globally as well as at our doorstep since we last met in Kyoto during the 40th Annual Meeting. The world economy has not picked up fast following the financial turbulence and credit squeeze triggered by the sub-prime mortgage crisis in the US. This has been further exacerbated by the sharp rise in oil and commodity prices, signaling a higher inflationary trend, and also by the increasing risk of global food insecurity impacting mostly the developing countries. The food problem is further exacerbated by restrictions on exports by countries with food surpluses. This policy, aimed at containing domestic prices, will lead us to unimaginable consequences which will be good for no one. The weaker economies in general and the poorer sections of the people in particular would be hit hard by this economic slowdown and the price hike. As a result, attaining the development objectives would become difficult as the poverty ratio and income inequality could worsen. The ADB needs to respond soon to mitigate such adverse effects by increasing its support to the vulnerable DMCs through all possible measures.

As you may be aware, Nepal suffered from a period of armed conflict and political turmoil for over a decade. As a result, the economy suffered and stagnated for a long time.

The peace process started 2½ years ago mainly as a home-led initiative is now headed to its logical conclusion. On 10 April 2008, Nepal successfully completed the election to the Constituent Assembly. The country will soon begin the process of drafting a new constitution, which will make the country a federal democratic republic in response to the popular wishes expressed in the last People's Movement. The positive development on the political front is already paying dividends. In fact, even during the trying circumstances of political transition, Nepal has been able to maintain macroeconomic

stability. The growth of revenue mobilization during the past 2 years has been remarkable. Donor commitments have risen and resource allocation to socioeconomic infrastructure and local development significantly increased. Together with this, the continued growth of remittances and improved tourism sector have profoundly contributed to raising foreign exchange reserves, expanding financial sector, lifting people out of poverty, and maintaining external sector stability.

Nepal has since July 2007 been implementing its Three-Year Interim Development Plan (TYIP), which will bridge the current political transition and pave the way for embarking on the next full-fledged plan when the political process will have taken a stable shape. The plan has been built as a sequel of the poverty reduction strategy paper in terms of objectives and priorities. The Nepal's Donors Consultative Meeting held in Kathmandu in February 2008 was participated in by representatives of most of the donor institutions present here, including Vice President Jin of ADB. The meeting agreed to align donor assistance with the TYIP targets in different sectors. The meeting underscored the primacy of trade and regional integration for building connectivity through private sector development. It was agreed that modernizing agriculture, constructing clean-energy hydro projects for mitigating energy crisis and optimizing the use of water resources, implementing the fast-track roads, and promoting tourism would be the priorities of immediate concern for the country. Nepal expects ADB support in these sectors from all possible windows and avenues.

Nepal now stands at a very critical juncture of its history. It is on the way to charting its political destiny through peaceful and democratic means to usher in an era of sustained peace, justice, democracy, and development. Popular expectations are high. Suppressed feelings have come to a fore. Failure to address them in the form of a peace dividend could invite disenchantment and revive instability. I therefore call upon ADB and other development partners to come forward with greater support to meet the needs of our country and countrymen in this hour of critical need. Meanwhile, we also commit ourselves to work together with ADB in its mission of making Asia and the Pacific free of poverty, and extend all possible support in that direction.

I wish this meeting all success and thank you all for your kind attention!

THE NETHERLANDS

CASPAR VELDKAMP, Head of Delegation

We would like to thank Spain for its hospitality in hosting this annual meeting in Madrid. We would also like to thank President Kuroda and his staff, and to express appreciation for the enormous amount of work put into the preparations for this annual meeting and the negotiations for the ninth replenishment of the Asian Development Fund (ADF X).

This annual meeting shows us, once again, to what extent Madrid and Spain are connected to other countries and continents. Spain and the Netherlands are connected too and have been for centuries. Spain's *siglo de oro* was followed by the Dutch Golden Age. Historians are still discussing how exactly this came about. One thing is clear: connectivity is not such a new phenomenon. Its significance today arises from its increasing impact, as a result of deepening globalization and the information age.

The global economy is undergoing a profound shift. We are experiencing one of the most important transformative processes of our time. The first decade of the 21st century has been dominated by new Asian dynamism and its consequences. For years we have talked about “Asian tigers”, increasingly we are discussing “Asian drivers”—of growth, development, and global change. Asia's rapid development is reshaping the world as we know it and not just in economic terms. It brings us new opportunities, and contributes to new challenges.

I would like to address three topics: new scarcities, new opportunities, and setting sail for Bali.

New Scarcities

We are dealing with an often interconnected set of global challenges—climate change, rising commodity prices, lack of arable land, and inflationary pressures. We are confronted with new scarcities: of food, feed, and fuel. Changes in the structure of supply and demand are becoming clear.

Our efforts to break the cycle of poverty and to achieve the Millennium Development Goals (MDGs), will be affected. **Rising food prices** demand urgent attention, for humanitarian and other reasons. Malnutrition is not only a consequence, but also a cause of poverty and insecurity.

The right policies need to be developed to help farmers produce more food. There are downsides to many current short-term policy initiatives. Price and export controls could remove incentives for farmers to produce more. Food price subsidies may have harmful budgetary consequences and prove to be wasteful, since wealthier consumers would often benefit more than those truly in need. Short-term policy measures at least require the consideration of sound exit strategies.

In the longer term, **we will need innovation** and investment to boost productivity throughout the agricultural value chain; to make production and logistics, distribution, more efficient; to enhance market access and support institutions; and to make financing more effective. Multilateral institutions play an important role in helping to find and implement solutions. We commend the Asian Development Bank (ADB) for having taken initial steps in this regard.

New Opportunities

The increasing integration of Asian economies into the global economy has brought huge benefits and new opportunities for many. However, the problem

remains how to maximize positive consequences and **render economic growth more inclusive**. Distribution of wealth affects the quality of life. Increasing inequality actually reduces overall societal well-being across the income spectrum. ADB's long-term strategic framework 2008–2020 (Strategy 2020) and the donors' report of ADF X underline the importance of inclusive growth.

Those at the bottom of the pyramid need their share. People will continue to be denied the opportunity to enjoy the fruits of development when economic liberalization is not complemented by political liberties that allow citizens to democratically aggregate their demands, hold their **leaders accountable**, defend universal human rights, and let civil society flourish.

Moving people from the margins to the mainstream also means investing in all human capital – including that of women and girls. We need to help mobilize their action potential. There are more women in the Asian labor market than before. They deserve extra attention and we appreciate ADB's gender action plan in this regard.

Setting sail for Bali

The ADF X replenishment has been concluded successfully. Nonregional and regional members will contribute to a replenishment to help achieve the MDGs in Asia. This is and must be a shared responsibility.

ADB's **Strategy 2020** has been completed. With 2020 on the horizon, we are now setting sail for Bali. On the way there, our ship will pass several markers. The **results framework** needs to be finalized *and* used. **Safeguards** will remain important. **Resident missions** need to be strengthened. ADB has been breaking new ground on several **human resources** matters this year. We hope ADB will pursue these efforts vigorously during the coming year. The **financial consequences of Strategy 2020** will be discussed. We understand ADB's desire to finalize a general capital increase before the next annual meeting, but consider this quite ambitious. ADB should explore alternative financial scenarios to help countries reduce poverty.

Asia has shown that countries can lift their inhabitants out of poverty with awesome speed, if countries make smart decisions and move in the right direction. The extent to which emerging markets in Asia have provided engines of worldwide growth shows that development is not a zero-sum game. Continuing on the road to make poverty history will require addressing the challenges that arise when growing economies and rising incomes collide with limited natural resources. Solutions can be found, and will require governance through global organizations such as the World Trade Organization (WTO), the United Nations, the International Monetary Fund (IMF) and the World Bank and regional organizations such as ADB. ADB can be a generator and systems integrator of development activity throughout the region. Asia's bank, relevant to Asia's future and to us all, helping on the road toward a new Golden Age.

NEW ZEALAND

JOHN WHITEHEAD, Alternate Governor and Head of Delegation

Let me begin by extending New Zealand's appreciation to our hosts the Government of Spain, to the President of the Asian Development Bank (ADB) and his staff and to the people of Madrid for their hospitality and the excellent arrangements for this meeting. Our thoughts are also with the people of Myanmar at this time.

New Zealand congratulates ADB on the development and recent approval by the Board of Directors of the long-term strategic framework 2008–2020 (Strategy 2020). It will provide the foundation for ADB's work to reduce poverty and to improve the quality of life of people living in Asia and the Pacific. New Zealand continues to value its association with the region, both as a member of ADB and through more direct relationships with its developed and developing country members.

Despite the economic gains realized during the period of the last strategic framework, it is important to acknowledge that significant numbers of people in Asia and the Pacific still experience poverty and lack the opportunity to realize their full potential. Thus it is appropriate that ADB should focus on inclusive growth, in an environmentally sustainable manner, for the foreseeable future. Such a focus, I believe, will make an important contribution to the attainment of the Millennium Development Goals, many of which are still at risk in 2008.

In developing Strategy 2020, the ADB embarked on an extensive process of analysis and consultation. New Zealand appreciated ADB's willingness to listen to the concerns of a wide range of stakeholders, including civil society. We particularly appreciate the strengthening of gender language in the strategy and the commitment by ADB to continue mainstreaming gender, in recognition that this will contribute to inclusive growth. The robust design process has resulted in a strategy that will ensure that ADB is heading in the right direction, is focusing its resources appropriately, and ultimately that it targets priority development needs of countries in the region. However, we do remark that, given the importance of the strategic framework as a guiding document for the ADB, it may have been more appropriate for the strategy to be approved by Governors, rather than the Board of Directors.

Although much effort has been expended in the development of Strategy 2020, and also, I note, in negotiating an ambitious replenishment for the Asian Development Fund (ADF), in many ways the hard work is only now beginning. It is, after all, the implementation of programs and projects that will deliver the results, and the ongoing monitoring of progress that will tell us if we have achieved what we set out to do. In this regard, the ambitious agenda ADB has set for itself requires that we consider its organizational capacity. The international aid environment is becoming increasingly complex and at the same time ADB must manage additional ADF resources and take steps to

improve monitoring and evaluation. Therefore, ADB must assess its capacity requirements and develop an appropriate plan of action.

New Zealand urges ADB to continue the internal reforms, announced by President Kuroda, which will improve human resource policy and practice, enhance operational processes, and embed a culture of managing for development results within ADB. I am also encouraged to learn that a process is in place to ensure that the independence of the Operations Evaluation Department is strengthened. Institutional reforms such as these will provide a critical operational platform to bring to fruition the goals of Strategy 2020.

As the implementation of both Strategy 2020 and ADF X gets underway, it will be important for ADB to consider the resource implications. New Zealand looks forward to a clear and realistic articulation of these in the work program and budget framework for 2009-2011.

While recognizing the many and varied needs of developing member countries, New Zealand has been, and continues to be, strongly supportive of ADB's efforts to be selective and to carefully prioritize the sectors in which it engages. I am heartened to see that ADB's comparative advantage is being used as a means to determine priorities. New Zealand acknowledges ADB's technical expertise, particularly in infrastructure and education, in addition to the useful role it plays in regional policy dialogue. Further expansion of regional cooperation initiatives in the Pacific and support for financial sector and environmental issues are also areas where I believe ADB can play an important role. I believe that efforts by ADB in these areas will also serve to address current food security issues.

Partnerships will be a key mechanism for achieving success in future ADB endeavors. As strong supporters of the Paris agenda, both New Zealand and ADB are striving to improve harmonization among donors and alignment with our developing country partners. I would, therefore, encourage ADB to engage meaningfully and coordinate more proactively with civil society, UN agencies and regional organizations in the design, implementation and monitoring of development activities in the region.

New Zealand strongly supports efforts by ADB to take a flexible approach to engagement with weakly performing countries, many of which are based in our own Pacific region. A continued focus on alignment with partner systems and processes will be highly beneficial and will reduce transaction costs for national governments. I encourage ADB to hear Pacific voices in relation to climate change and to work cooperatively with them, and other relevant partners, in order to respond to their concerns.

In approving Strategy 2020, I note that Directors stipulated that this was subject to considering and approving the results framework which is under development. I would like to stress the importance that New Zealand places on this monitoring tool. We have been pleased to assist ADB at a technical level to enable progress on the framework to be made in advance of ADF X and annual meetings.

Future reporting under the agency-wide results framework will be the primary mechanism for New Zealand to monitor the effectiveness and efficiency of ADB's investments and internal reforms, as well as its development programming. For this reason, we encourage management to ensure that the Board of Directors is fully satisfied with the document which is submitted to them later this year. New Zealand looks forward to receiving the first development effectiveness review in a few months time and to future annual reviews which we expect will report comprehensively on ADB's efforts to reduce poverty.

NORWAY

INGRID GLAD, Head of Delegation

It is with shock and sadness we have learned about the loss of lives and humanitarian suffering from the devastating cyclone which hit Myanmar* last Saturday. Norway, together with the UN and other members of the international community, stands ready to provide urgent humanitarian assistance to the victims.

Now let me join the other speakers in thanking the authorities of Spain for the excellent organization of this year's Annual Meeting in the beautiful and historical city of Madrid. I would also like to take this opportunity to commend the Spanish Government on its efforts to focus on international development and to increase its own development aid significantly.

Rising food prices are of concern to us all. This is a multifaceted issue that requires a wide range of policy responses and considerations. We appreciate the fact that the Asian Development Bank (ADB) has set up an internal working group, and that the multilateral development banks have joined forces to coordinate and take appropriate actions. Based on its mandate and new strategy, ADB should consider how it can best contribute to and support a renewed focus on agriculture, rural development, and food security.

As alluded to by many speakers already, two of the most formidable challenges of our time are poverty and climate change. The unacceptable fact that more than 1 billion people worldwide, and 600 million people in Asia, are living on less than US\$1 a day, and the environmental threat that we are all facing must be addressed together, not separately. We believe that ADB is well placed to promote efforts and solutions to meet these challenges in the region. The environmental agenda complements ADB's core mandate of poverty reduction and growth.

2008 is a critical juncture for ADB. I would like to congratulate ADB staff and management, and the ADF Deputies, for the successful conclusion of the negotiations for the ninth replenishment of the Asian Development

* Changed by Meeting Secretariat.

Fund (ADF X), which set the priorities of the Asian Development Fund for the next 4-year period. The comprehensive discussions we have had over the last few months illustrate the engagement and interest of the members of the ADB in long-term developments in Asia and the Pacific.

The long-term strategic framework (Strategy 2020) indicates the directions to be taken by the ADB until 2020. Our key concerns in these strategic discussions are the poverty orientation of ADB and its definition and understanding of the concept of “inclusive growth”. Inclusion must be placed at the centre of policy design. How will the concept of inclusive growth be operationalized? This question is central to Norway and we strongly encourage the inclusion of this dimension in the design and monitoring of all areas of ADB’s operations. We welcome the solid results framework that has been developed. It is equally important to strengthen the design and monitoring frameworks and use them as a management tool.

ADB has, through the introduction of more flexible lending instruments, become a more relevant partner for developing member countries (DMCs). Efforts to improve its institutional effectiveness are still of high priority for Norway. However, more flexible and efficient lending procedures and practices must not reduce the focus on cross-cutting issues and important safeguards standards.

The economic growth in large parts of Asia in recent years has been impressive. Unfortunately the benefits of the growth are not broadly shared and the rising inequality in the region is worrying. The trickle-down effect has shown its limits. Redistributive policies can prove a viable strategy for inclusive growth by boosting demand, and, in the longer term, by increasing human capital, including levels of education and skills. Meanwhile, the failure to address income inequality is a recipe for frustration and eventually social unrest. We welcome ADB’s ongoing analysis on the issue of inclusiveness.

Inequity in the region is also reflected in relations between the genders. Today, we all recognize the importance of giving women the same opportunities as men. It is a well-established fact that gender equality makes good economic sense. But real progress is slow, and ADB’s continued focus on and persistence in this area are necessary. ADB should devote additional resources to gender issues to demonstrate that gender is a priority for ADB.

We appreciate ADB’s initiatives with regard to the climate change agenda. Deforestation and the sustainable use of forest resources are important influences on climate change in Asia and the Pacific. As ADB is the most important development and financing institution in the region, it should have a clear policy and be actively involved with national authorities in this area. In Bali, our Prime Minister announced that Norway would increase its support for efforts to prevent deforestation and forest degradation in developing countries to around US\$500 million a year. We see preventing deforestation as (i) reducing emissions, (ii) preserving biodiversity, and (iii) ensuring sustainable economic and social development. 2008 is the

International year of Sanitation. We appreciate ADB's engagement in the water sector over the years and are in favor of a continued focus on water, also in connection with adaptation to climate change.

Corruption is a major global problem. It constitutes a threat to the rule of law, democracy, human rights and social justice. It is linked to international crime and terrorism. It can impede economic development and it increases risks and costs in the private sector. Enormous amounts of tax income and other revenue that could be used for public services are forfeited through illicit capital flight. Altogether these sums by far exceed total development assistance. We need to increase awareness and agree on ways to combat this problem. The Financing for Development process and the upcoming conference in Doha later this year provide an opportunity to start addressing this issue. We look forward to the ADB's active participation in this process, giving voice to the perspective and views of the Asia Pacific region.

In this context, let me commend ADB for endorsing the Extractive Industries Transparency Initiative (EITI), which is central to encouraging governments to disclose their revenues, as well as encouraging companies to publish their payments from oil, gas, and mining in order to promote transparency and fight corruption. We are encouraged by the fact that ADB will support its developing member countries to adopt the principles of the initiative. The fight against corruption, and support for the EITI, are key priorities in Norwegian development cooperation.

Finally, some two thirds of the world's investment flows bypass developing countries. Of the one third that reaches them, three quarters go to just a few of the better-off countries. One of the greatest challenges for the ADB in its private sector work is to focus on an enabling environment for the private sector in the poorest countries as well. Private capital should be invested beyond the privileged few developing countries. It is vital to move that capital down the income scale to the countries and people who need it most.

PACIFIC DEVELOPING MEMBER COUNTRIES

ELBUHEL SADANG, Governor for Palau

(on behalf of Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu)

It is a great privilege to address the 2008 Annual General Meeting of the Asian Development Bank (ADB), on behalf of the Pacific Developing Member Countries (Pacific DMCs), composed of the Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Marshall Islands, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu, Vanuatu and my own country, Palau.

Let me join fellow Governors in thanking the Government and people of Spain, and the municipality of Madrid, for the warm hospitality and the excellent arrangements that they have made for this meeting.

Regional Economy

Over the last decade, economic growth in our region has been highly volatile, reflecting the impacts of our vulnerabilities, such as our smallness and isolation, narrow economic bases, dependence on a few export commodities to markets in which we are price-takers, rising oil and commodity prices, and our proneness to natural disasters. In addition, factors such as poor infrastructure, restricted market access and limited institutional capacity have handicapped our abilities to manage globalization effectively to our benefit. We are already experiencing the effects of climate change in our region, and cannot stress how much it is a real and tangible threat to our security and existence.

It has long been recognized that key drivers for change need to be anchored in improving our macroeconomic management, and in facilitating the development of a more robust private sector. The pursuit of these objectives has driven substantial reform efforts by our members, at a pace that capacities of our local institutions can support.

The Pacific Economic Survey 2008, released earlier this month by the Commonwealth of Australia, estimates that the region's combined GDP is projected to grow by 4.5% in 2008, up from an average of 2.8% between 2005 and 2007. While our growth prospects are encouraging, our region needs to sustain growth at much higher levels.

We acknowledge the ongoing assistance provided by our development partners, including ADB. However, we recognize that much more can be achieved through strengthened partnerships with ADB if the region is to be in a position to achieve its growth potential. We therefore wish to collectively highlight a number of priority areas requiring ADB's attention, and also offer some suggestions on the form of assistance required.

Representation and Presence

We acknowledge the presence of ADB through its offices in Manila, Sydney, and Suva, and express our appreciation of ongoing efforts by ADB to further improve access to services these offices offer to Pacific DMCs.

Innovative approaches like the proposed co-location of World Bank and International Monetary Fund (IMF) staff through the offices of the Pacific Financial Technical Assistance Centre (PFTAC), and establishing joint offices with other international financial institutions in member countries are encouraged. Such arrangements will further streamline our access to ADB's resources and expertise. In this regard, ADB is strongly encouraged to draw on able local expertise to reinforce its understanding of the diverse cultures and special needs of the Pacific region.

A recent Operations Evaluation Report found that the ADB's technical assistance (TA) had been only "partially successful" overall and that "considerable improvement" was required. We feel that by using local or regional expertise, levels of ownership in TA and policy advice provided by ADB will be enhanced further. Perhaps this point may be underscored by the fact that currently the ADB Pacific Department (PARD) and its subregional offices have less than 5% of their professional staff from Pacific developing member countries (DMCs). ADB needs to offer equitable terms and conditions of employment to all potential candidates, including those from Pacific DMCs, for professional positions within PARD and its subregional offices.

Climate Change

Our region is directly affected by climate change. We cannot overemphasize the need for ADB to immediately deliver a package of initiatives that would facilitate adaptation to climate change. Whilst our region may not be the only one affected, the impact, relative to our smallness and isolation, is significant. Our concern and urgency for action is underscored by the already felt impacts of cyclones, flooding, drought, and rising sea levels. It is therefore crucial for Pacific DMCs that ADB concentrate not only on combating climate change through mitigation strategies, but also focus on the means by which members can adapt to climate change.

We reiterate our request made last year, for assistance to explore the relevance of the Caribbean Catastrophe Risk Insurance Facility, and to facilitate its implementation in our region.

Additionally, we encourage consultations with ADB regarding its climate change adaptation and mitigation strategies and their relevance and practical applications to Pacific DMCs. In particular, the conditions and requirements for access, and where necessary, accelerated processes to support access to resources for Pacific DMCs.

Finally, we strongly endorse the establishment of a Special Fund as a safety net, to be made available for the needs of the Pacific people who have lost their livelihoods, are displaced, and have to be relocated as a result of the effects of climate change.

Energy and Commodity Prices

We are faced with the serious challenge of dealing with the effects of the protracted rising oil prices on our vulnerable fiscal balances and balance of payments. Oil price hikes have had an almost immediate impact on our economies through effects on consumer prices for retail fuel, and indirectly through other channels including rising production costs, which all lead to higher inflation. The combined inflationary impact of higher oil prices and the rise in basic commodity prices will only exacerbate the difficult conditions affecting the livelihood of our Pacific peoples, especially the poor.

In that context, we strongly support ADB's renewed emphasis on clean energy, support for energy efficiency, and renewable energy projects. Furthermore, we urge ADB to lend its expertise and resources to the development of regional or subregional solutions such as bulk procurement of petroleum products that are currently being explored by the Pacific Islands Forum Secretariat, which I understand will be considered by Forum leaders at their meeting in August this year. This initiative, if swiftly implemented, could provide some assistance to Pacific DMCs over the medium to long term.

Donor Harmonization

A number of our members are party to the Paris Declaration on Aid Effectiveness and more have indicated endorsement of the declaration. Pacific DMCs rely heavily on external funding assistance to support infrastructure development projects. However, from our perspective, we have priorities in specific areas which may not be aligned to the development frameworks, policies or agendas of our development partners. In this regard, we encourage ADB and other donors to consider moving toward the implementation of the principles of aid effectiveness in the Paris Declaration as well as the Pacific principles.

An important option to consider would be for donors to provide direct budget support to Pacific DMCs, subject to principles of good governance and transparency mechanisms. This would result in access to a larger pool of resources dedicated to national priorities with an emphasis on commitment efforts, and therefore greater ownership by Pacific DMCs. We are aware that the corollary to this would be capacity building and a review of financial management systems to ensure that we are ready for such a shift in the means of delivering aid. The proportion of funding assistance under this arrangement would then be subject to bilateral assistance discussions.

Although there are only a few key development partners in the region, donor harmonization is critical, as it would relieve many of the fledgling aid coordination mechanisms of the Pacific DMCs of administrative pressures as well as provide guided direction to any new donors to the region.

We would encourage ADB and other development partners to pool resources, including TA, participate in joint missions and share analytical studies so as to avoid overlap and duplication and ensure aid effectiveness.

To wrap up on this particular topic, we encourage ADB to continue its support to promote donor harmonization and encourage the alignment of systems, processes and procedures, especially to those of countries where there is demonstrated capacity to do so.

Asian Development Fund (ADF) X Replenishment

Let me stress that access to concessional and grant resources is a key measure in assisting Pacific DMCs. We would like to congratulate ADB and

the donor community for the successful conclusion of the ADF X negotiations, which has resulted in a substantial increase by as much as 60% compared with ADF IX. In this regard we would request an increase in the reserve ceiling for Pacific DMCs, given our special circumstances and vulnerabilities.

The need to strike an equitable and proportional balance in the allocation of ADF X remains in our view an obligatory and fiduciary responsibility of ADB and its donors, especially given our resource needs for implementing programs and activities to meet the Millennium Development Goal targets set for 2015.

On the criteria for ADF grant allocation and the matter of country classification under ADB's graduation policy, the explicit focus on debt sustainability as the key criteria may prove to be too narrow an indicator, given that it fails to recognize special needs of Pacific DMCs, with regard to environmental vulnerability and limited essential infrastructure. As a result, some Pacific DMCs classified as category C borrowers stand to lose significantly on concessional lending and will now only be able to access loans at the more costly ordinary capital resources (OCR) rates. As a matter of priority we request ADB to revisit the matter of classification given the adverse implications for the Pacific DMCs, especially with current world trends making it more difficult to source funds to develop much needed infrastructure essential to protect Pacific DMCs from climate change.

Cost-effective Financing

In addition to ADB's efforts to enhance development effectiveness, streamlining business processes and reducing cost of doing business, we call for more cost-effective ways of structuring loans to Pacific DMCs. In this regard, packaging of several loans within each country into a consolidated product is encouraged to promote greater efficiency in resource allocation and utilization as well as to improve debt servicing. This will particularly assist those Pacific DMCs who have limited capacity, thus significantly reducing the transaction costs of managing loans.

Furthermore, ADB is requested to explore innovative financial products that allow for the re-financing of commercial debt relating to essential infrastructure developments for Pacific DMCs, at more concessional rates.

Regional Cooperation

The Pacific Plan complements, and to some extent supplements, national efforts in pursuit of economic growth for the Pacific region. I therefore urge ADB to consider relevant initiatives of the plan, particularly those targeting economic integration which were agreed upon at recent meetings of the Pacific Forum Leaders and Forum Economic Ministers Meeting (FEMM), in the areas of customs, labor mobility, statistics, and economic regulation. In this regard, knowledge products and resources provided by ADB to develop the regional audit initiative is commendable.

The regional TA currently undertaken by ADB, aimed at enhancing economic cooperation within the framework of the Pacific Plan, is expected

to reinforce regional and subregional priorities and initiatives identified by Forum Leaders and FEMM. We hope this will result in further development partner support and timely resource provision from ADB in particular.

The Pacific DMCs reiterate the 2007 FEMM resolution for the active engagement of ADB with the Pacific Islands Forum Secretariat to further progress the relevant initiatives of the Pacific Plan, and to coordinate the preparations and groundwork for PDMC Governors Meetings in the future.

Conclusion

Let me express our appreciation to the Management and staff of ADB for their ongoing commitment and support of our regional and national development priorities.

As a final note, Mr. President, let me take this opportunity to encourage you to visit the Pacific developing member countries, whereby you will experience first-hand the diversity and of course, the unrivaled warmth of the Pacific peoples.

PAKISTAN

MUHAMMAD ISHAQ DAR, Governor

On behalf of the Government and people of Pakistan let me join my colleagues in thanking our hosts and the Asian Development Bank (ADB) for making our stay here comfortable and constructive.

We meet at a time when the world is facing new economic challenges. An unusual surge in commodity prices, particularly of oil and food staples, has already hit the economies of the developing member countries. The implications are serious both for the developing economies and our development partners. Together we have invested in development which is exposed to erosion. Together we can save it to be able to remain on track for poverty eradication, economic growth, and social development.

I would like to express our sincere thanks to the donor countries for having successfully concluding the Asian Development Fund (ADF) X negotiations and for having pledged additional resources in close approximation to the proposal from ADB. I would also like take this opportunity to congratulate the ADB Management for measuring up to donors' expectations in enlisting additional resources.

We appreciate the ADB Management's efforts in having steered the completion of the long-term strategic framework 2008–2020 (Strategy 2020). However, this is not an end in itself. A number of elements in implementation will need to converge for these strategies and agreements to work and meet their developmental objectives. While Strategy 2020 recognizes the large financing requirements if the objectives of the strategy are to be met, it does

not provide resources. The resource picture of ADB indicates that ADB faces capital constraints, although the predictability of resources is recognized to be a critical factor for developing countries so they can manage public finances and undertake realistic planning for development. The aid architecture has become much more complex and aid negotiations are taking longer and require more conditions, thus creating further unpredictability. It maybe premature to anticipate the outcome exactly, but the already delayed general capital increase for ADB may face challenges. We urge that the process be initiated and finalized quickly.

The increased vulnerabilities of developing countries to external shocks require quick adjustments according to each country's own requirements, resources and capacities, so that economic opportunities are captured and adverse consequences of these dynamic changes managed. The concept of comparative advantage rooted in free market dynamics is inappropriate in the context of provision of aid, particularly multilateral development bank assistance. No fixed menu of solutions and sectoral focuses can capture this dynamism and individual country contexts. For example, while agriculture support in Strategy 2020 is limited to infrastructure provision in rural transport, irrigation and water systems and microfinance, the recent surge in food prices issues has highlighted the pressing need for a much broader engagement in agriculture. Similarly, health is considered a low priority in ADB activities, yet the regional and global threat from infectious diseases has created renewed awareness of the importance of sustainable and effective health systems in developing countries. In implementing Strategy 2020, ADB should clearly recognize different need requirements, and allow sufficient flexibility to allow staff to choose any operational area for investment if the country context and circumstances indicate it should be a priority area for ADB assistance.

The distribution of net income allocation needs to be rationalized so priority is given to reducing loan charges after necessary allocations to the capital stock of ADB in order to protect the income stream and other pressing needs of developing member countries. The responsibility for financing poorer member countries for their development continues to fall on donor countries and we expect them to play an even larger role in future. Climate change initiatives will entail extra costs for developing countries and will be an additional burden on their limited available resources. It is, therefore, a bit harsh to ask developing countries to transfer resources from meeting their own dire needs to shoulder this responsibility. We urge donor countries to support developing member countries for such initiatives through additional financial resources and technology transfer.

While efforts are being made to have development results integrated into ADB operations in Strategy 2020 and the Asian Development Fund, we feel that this concept should not be applied with rigidity. ADB deals with complex realities for which answers are not always clear, therefore the results framework should be used mainly for learning and realigning programs,

processes, projects and strategies. It should not restrict ADB from meeting developing member country demands or promote reluctance within ADB to address more complex issues. Management should be mandated to be totally independent in its operations and strategies if it is to be held accountable for results. This is the only way in which the results framework will add value.

In conclusion, let me say that we appreciate all the initiatives being undertaken by ADB under the leadership of President Kuroda toward the common benefit of the people of Asia. We hope that each of us will equitably share in the fruits of such endeavors.

PAPUA NEW GUINEA

PATRICK PRUAITCH, Governor

It is a great pleasure for me to join my fellow Governors in extending our appreciation to the Spanish Government, and the people of Madrid for hosting this 41st Annual Meeting of the Asian Development Bank (ADB) and for the excellent arrangements provided to us in this wonderful setting. It is truly a pleasure to see, alongside Spain's remarkable private sector development, the beauty of the country's physical environment, and the richness of its culture.

I would also like to thank ADB for its continued assistance in the development of Papua New Guinea (PNG). ADB is an important development partner in our development initiatives and we appreciate the technical and financial support it continues to provide to PNG.

PNG, like its Pacific neighbors, faces many development challenges imposed by the difficult geography, extreme ethnic diversity, population dispersion, a serious HIV/AIDS epidemic, poor health and social indicators, and weak public services. These challenges make effective delivery of government services very difficult. The capacity constraints of the implementing agencies of the Government and stakeholders in the private sector to deliver services to the people effectively are an emerging concern. As a result, significant funds are held in trust accounts.

We consider these challenges are an opportunity for the Government and the private sector to work as a team to create a strong and robust economy that provides opportunities for businesses to invest and for people to have jobs and better incomes.

Our people aspire to higher living standards and improved wellbeing, but we continue to face huge challenges in improving government services and fostering an environment where a competitive and dynamic private sector can generate growth. We are working through a critical phase in our development, transforming the way we operate through strong political leadership and a commitment to reform in order to achieve effective public service delivery and to address key private sector issues. We need the continued assistance of ADB as we strive to achieve these.

We have introduced a number of political reforms in recent years to give us much needed political stability. This enabled the last government to last its full term, the first in our history, and it has been returned for a further 5-year term.

Political stability has also provided more policy stability. During the past few years, our budgets have been framed around medium-term strategies: the medium-term fiscal strategy, the medium-term development strategy, and the medium-term debt strategy. The medium-term fiscal strategy has been overtaken by events and the development of a new strategy is in its final stage after exhaustive consultations with stakeholders, including ADB. We are also currently reviewing the medium-term development strategy.

These strategies are essential to the Government achieving stable and prudent economic management as the basis for a successful economy. We have worked hard over the past few years to bring much needed stability to the economy and we are now enjoying some of the benefits of our past efforts. We will build on these.

We are fortunate that the improved global environment has helped to strengthen PNG's economy, at a time when these initiatives have been put in place. These developments have been mutually reinforcing.

We are already enjoying better macroeconomic and fiscal outcomes. Economic growth has resumed, and employment is increasing. Inflation has fallen sharply and interest rates have declined. Our external position is healthy, with foreign exchange reserves at record levels. The exchange rate has stabilized.

We recorded a budget surplus in 2007 and exceeded the tight goals of our medium-term fiscal strategy for the year. Debt has fallen sharply as a percentage of GDP over the past 4 years. We are seeing a steady improvement in GDP per capita, which is a necessary precondition for an improvement in the living standards of our people.

We are fully aware of the danger of increasing expenditure on the assumption that high commodity prices will continue to provide additional revenues over the medium term. With that in mind, the Government has allocated additional revenue to the medium-term expenditure priorities. From 2008 to 2012, mineral revenue equal to 4% of GDP will be used to fund ongoing spending. The remainder will be regarded as additional revenue, to be allocated in ways which can be adjusted, with minimum disruption.

Our plan is to create an environment that is conducive to private sector investment and growth. We know that reducing poverty and promoting PNG's economic and social development depends on a competitive and dynamic private sector that generates income and employment. As part of our broader reform agenda, an immediate Government priority is to carry out much-needed structural reforms to the regulatory and institutional environment in which investment decisions are made. We expect to attract new foreign investment and to promote greater domestic investment, which will further drive economic growth.

More generally, as a crucial development partner, ADB has an important role to play in supporting members develop and implement their own growth and development strategies. It is important for the ADB to continue to draw on its special understanding of the Pacific region and its strong relationships with its Pacific developing member countries to ensure that the assistance it provides is well focused and meets our special needs.

Because of the recent improvements in our public finances, we do not want to take on more debt. Financial and technical support from ADB needs to be consistent with our own strategies. The support should not only focus on areas consistent with our needs, as identified in the medium-term development strategy, but should also be consistent with our budgetary needs and reform processes.

Matching ADB's strategies with a country's own development strategies is an important challenge for the bank. Ownership of reform and coherence of strategic direction between a country and its development partners is an important ingredient of its success. We are very pleased that ADB has developed a PNG country strategy and program and incorporated our development aspirations. We see this as a positive approach to meeting our development challenges together.

We are grateful and commend the ADB's good work in PNG and the Asia and Pacific region more generally. We look forward to a rewarding partnership with ADB as we address the challenge of implementing policies to improve the lives of our people.

PHILIPPINES

MARGARITO TEVES, Governor

On behalf of the Philippine delegation, we would like to thank the Government of Spain and its people for the warm reception and splendid arrangements for this year's annual meeting. We feel much at home since the Philippines and Spain are bound together by our rich history, culture and tradition.

More than 10 years after the Asian crisis, the region is generally better prepared to weather the slowing US economy and rising prices of oil and food commodities with added resilience from strong macroeconomic fundamentals, prudent fiscal and monetary policies, and competitive financial and corporate sectors. Moreover, strengthened intraregional links can substantially minimize the adverse impact of a sharp global slowdown.

We need to pursue appropriate policy measures to alleviate the burden of surging food prices on low-income groups. In the short term, we can adopt temporary fiscal measures to ensure food on the table for the poor, including well-targeted subsidies. Over the long haul, we need to implement a more comprehensive approach to effectively harness finite resource endowments and embark on technological progress, innovation and sound sectoral policies to sustain productivity and address the long-term challenges of food security.

Open trade and improved trade relations with partner economies will play a critical role in guaranteeing that food distribution systems and markets work optimally to feed the region's population and alleviate poverty. It is imperative that developing member countries (DMCs) cooperate with each other to ease supply conditions to provide immediate relief from hardship imposed by higher commodity prices and to safeguard the gains achieved with economic reform and stability.

We commend the President for his courageous stewardship in opening new paths for the Asian Development Bank (ADB) to step up its assistance and exercise its comparative strengths in pursuit of its vision of "an Asia and the Pacific free of poverty". Our government supports the long-term strategic framework (Strategy 2020). By adopting a more focused approach, ADB can achieve better leverage of its resources to become a more responsive and effective partner in meeting the evolving requirements of its developing member countries. We find merit in being selective and deploying institutional and financial resources among the five core areas identified namely: infrastructure, environment, regional cooperation, financial sector development and education. However, recent gains in poverty reduction are threatened by soaring food, oil and other commodity prices. We urge ADB to continue its strong engagement in the agriculture sector to promote effective policies and support strategic infrastructure development to enhance rural productivity.

Moving forward, we recognize the need to strengthen ADB's financial architecture through a phased implementation of an adequate general capital increase to provide the wide range of services demanded by its DMCs. However, ADB needs to continually demonstrate to shareholders its value and efficiency in contributing to the pursuit of their development aspirations.

We fully support ADB's thrust towards greater ownership by DMCs through the use of country systems. Toward this end, we urge ADB to deepen its engagement in the harmonization effort.

The Philippine economy has recently experienced its strongest growth in decades. Together with other development partners, ADB has been a major catalyst for support, including from our host member country. Continued adherence to prudent macroeconomic management and further deepening policy reforms, including heightened attention to improving governance, have addressed economic vulnerabilities and fortified the economy's resilience to sustain robust economic expansion and overcome adverse external economic pressures.

In closing, let me acknowledge ADB's strategic partnership with DMCs in their persevering struggle to fight poverty and improve the welfare of the poor. In this light, the Philippines conveys its sincere appreciation to ADB for its valuable contribution to its members' daunting development crusade.

PORTUGAL

EMANUEL SANTOS, Head of Delegation

It is a great honour to address this meeting on behalf of the Portuguese Government. I would like to begin by thanking the Spanish authorities and the Asian Development Bank (ADB) for the excellent organization of this meeting and their warm welcome.

As regards ADB's main developments in the last year, we welcome the recent approval by the Board of Directors of the long-term strategic framework (Strategy 2020), which resulted from an extensive process of internal and external consultations. The priority given to environmentally-sustainable growth represents a great step forward, especially for water management, climate change, and renewable and efficient energy. Delivering implementation will be essential. All in all, Strategy 2020 provides adequate guidelines for ADB's 2020 horizon, although flexibility in responding to emerging contingencies must be kept constantly in mind.

Some other challenges remain for the coming years. Higher efficiency in the management of both financial and human resources, which we believe has not yet reached its full potential, and greater coordination and cooperation with other multilateral development banks must also play an important role.

We also welcome ADB's strategic approach to weakly performing countries, which will allow an increase in the flexibility of business processes, adapting them to less easy environments while continuing to apply proper safeguard policies. Building capacity in these countries certainly needs an expanded use of grants and longer-term technical assistance. In this respect, we acknowledge the cautionary lending approach granted to Timor-Leste as it phases out from post-conflict assistance status. We believe that the significant grant share of the funding at Timor-Leste's disposal represents an important contribution to its peace and development.

We welcome the yearly results presented, which reflect an adequate financial management policy. ADB must continue to be selective in its lending and to give priority to operations with the greatest potential impact on poverty reduction and the achievement of the Millennium Development Goals.

The implementation of the human resources strategy, despite the measures already adopted or announced by the Management, remains a challenge. We urge ADB to increase the transparency and decentralization of recruitment, as well as to involve staff in the process of reform implementation as a means of retaining world class professionals.

Asia and the Pacific region is home to two thirds of the world's poor. The elimination of poverty is a challenge we must pursue through inclusive growth and sustainable development, but also through education.

In this regard, we welcome the agreement reached here in Madrid regarding the ninth replenishment of the Asian Development Fund (ADF X).

Portugal increased its contribution by 15%, stressing its deep dedication to poverty reduction.

I could not end without expressing our appreciation for the work carried out by President Kuroda. Changing the culture of an organization is neither easy nor fast, demanding a continuous effort at all levels of management.

SINGAPORE

THARMAN SHANMUGARATNAM, Governor

First, let me join my colleagues in expressing my deepest appreciation to the Government of Spain for the excellent organization of the meeting and the warm hospitality accorded to us.

ADB's New Long-Term Strategic Framework 2008–2020 (Strategy 2020)

I would like to congratulate President Kuroda and the management of ADB on the successful conclusion of the ninth replenishment of the Asian Development Fund (ADF X) and for the strong consensus that has been achieved in support of the long-term strategic framework 2008–2020 (Strategy 2020). Singapore supports this framework, in particular its three key elements: first, inclusive economic growth, with a particular emphasis on infrastructural development so as to be able to connect more low-income households to development; second, environmentally sustainable growth; and third, regional integration. I would like to highlight two aspects with regard to implementing these long-term strategies that ADB should retain and enhance.

Regional Integration and Open Regionalism

ADB has been playing a very useful role in the process of regional integration, one of the three key pillars of Strategy 2020. This is a win–win for Asia and the world—whether it is subregional initiatives like the Greater Mekong Subregion as highlighted by President Kuroda in his speech this morning or broader initiatives across Asia.

It is critical that our efforts to integrate the region better go hand-in-hand with those which strengthen the region's links with the global economy. There is no trade-off between these initiatives; it is really a win–win, with each adding onto others. This will be the case as long as we continue to emphasize open regionalism in everything we do, whether in small or large regional integration initiatives. Asia is, and has to retain its role as, a catalyst for a more open world. This is true in trade and investment, in transport and logistics, in financial markets, and also in the transfer of knowledge in the area of public policy management. I would like to commend ADB on its efforts to date and also encourage it to retain the sense of purpose in fostering regional integration while keeping Asia open to the world.

Leveraging Members' Comparative Advantages

Second, I would like to highlight the criticality of ADB leveraging as many capabilities as possible, both public and private. Private sector capabilities in areas of public need are now far advanced compared to 20 or even 10 years ago. There are private capabilities to be drawn on in areas such as water management, urban management and infrastructure development. In addition, I would also like to add that there are capabilities in specific member countries which could be leveraged. We each have developed comparative advantage in varying areas of public policy which could be shared and transferred across the region. As an example, in Singapore, we have been working closely with ADB in water management, using public-private partnerships to export the experience and expertise we have developed to the region at large. I believe leveraging many capabilities, public and private, is the most effective and efficient way forward.

Food Security and Price Stability of Foodstuffs: The Role of ADB and the Need for a Fundamental Re-Appraisal of Policies

Finally, I would like to comment on food security and food price stability. I support ADB's intention to engage member countries to stabilize price inflation and to tackle the root causes of the price increases that we have seen in recent months. Underlying this problem are longer-term trends which have to be addressed. In particular, ADB can play a very useful role in promoting improvements in agricultural productivity. We know that agricultural yields in Asia have not only been stagnant but have fallen in recent decades. There has to be a redoubling of investment along the whole agriculture value chain, from research and development on pest-resistant seeds to construction of effective irrigation facilities and application of appropriate fertilizers.

I would also like to emphasize the importance of a fundamental reappraisal of policies with regard to conversion of land as well as foodstuffs into production of biofuels. Biofuels will play an important role in the world of tomorrow as part of a diversified energy supply system. Nevertheless, we need a coherent policy that encompasses both food and energy, rather than a sector-specific approach to energy diversification that has resulted in significant imbalances in food supply and demand. The conversion of land that is intended for food production into biofuels production, and the conversion of foodstuffs into biofuels, has had destabilizing effects that were unintended but which can still be corrected. In Asia, there has also been a significant erosion of farm land due to real estate development aimed at short- to medium-term gains.

ADB can help to facilitate a fundamental review of food and energy policies in the region, and participate actively in global efforts to reassess these policies.

Conclusion

Once again, I would like to encourage ADB in the pursuance of its new Strategy 2020. Singapore will continue to engage and work together with ADB where we can offer our experience and bring the private sector into the fold.

SPAIN

See pp. 15–18.

SRI LANKA

SARATH AMUNUGAMA, Governor Ad Interim

I am greatly honored to address this assembly on behalf of the Government of Sri Lanka. At the outset, let me thank the authorities of the Kingdom of Spain for the excellent arrangements to host us in this magnificent city of Madrid and for the hospitality extended. May I also express thanks for the new development partnership that Sri Lanka has been able to build with Spain, especially for the reconstruction of bridges, roads, and water schemes after the tsunami disaster.

This year marks the 41st anniversary of the Asian Development Bank (ADB). Over the past four decades, the Asian region has achieved remarkable development. Economic growth has accelerated and unemployment and poverty have been reduced. Several countries have reached high standards of living. There is no doubt that ADB has made a considerable contribution to this achievement. I congratulate President Kuroda for his strategic vision and stewardship, which has enabled ADB to address new challenges and exploit new opportunities.

My country is pleased that the negotiations on the replenishment of the Asian Development Fund (ADF) X have been successfully concluded. While we should welcome a significantly higher amount of resources under ADF X, it is very important that we make a special effort to obtain the maximum benefits from these enhanced resources. ADF X provides a chance for ADB to make a significant impact toward the achievement of the Millennium Development Goals. I hope that we can improve the living standards of the people of the region, particularly of the poor, and that there can be a more equitable distribution of the benefits of growth. Recent events have underscored the need to link infrastructure development with rapid agricultural growth. Agriculture is the mainstay of the poor in the region.

ADB has been a supporter of Sri Lanka's development efforts for more than four decades. In 2007, ADB committed loans amounting to US\$445 million for the development of the port, education, and SME sectors.

I must thank ADB for providing grant assistance under the Japan Fund for Poverty Reduction (JFPR) facility to improve the quality of life of the rural poor through a livelihood development program linked to improvement of rural access roads.

Sri Lanka is now in the third year of the Government's 10-year development program, with the objective of achieving faster and all-inclusive growth. I am pleased to mention that we have been making steady progress toward this objective, despite unprecedented challenges such as the escalation of oil and food prices and terrorist threats.

As a newly emerging middle-income country, we have recognized the need to tap other sources of funding to obtain the resources needed for our accelerated infrastructure development drive. We were able to issue a debut international bond issue of US\$500 million in 2007, a landmark deal in a difficult year. We are also strengthening our relationships with regional trading partners, which is in line with ADB's strategy of promoting regional integration. We have no doubt that ADB will continue to play a prominent role as a key development partner in Sri Lanka throughout the present decade and beyond.

Let me present a few salient features of the Sri Lankan economy. Most macroeconomic indicators showed progress in 2007. The economy grew by 7% after achieving 7.7% growth in 2006. The average rate of unemployment reached its lowest ever recorded level of 6.0%, while per capita income rose to US\$1,617. For us trade has proved to be as important as aid. The developed economies must continue to assist us, as the European Union does through the general system of preference plus (GSP+) facility.

Meanwhile, the most recent survey results from our Census and Statistics Department have revealed encouraging developments in reducing poverty. The results show a considerable decline in the poverty head count ratio to 15.2% in 2006, from 29% in 1995. We are confident that our development programs are on the right track and that the progress we have seen in recent years will continue despite challenges. Among these is the need to end terrorism and find a negotiated political settlement based on the devolution of power. On 10 May, the newly liberated Eastern Province will go to the polls to elect its own provincial council, which will enjoy powers devolved to it under our constitution.

I would like to express my sincere appreciation of the efforts of the President of ADB and his team for the continuous support given to Sri Lanka. We look forward to strengthening our partnership in the future.

Finally, let me say how grieved we are about the devastation in Myanmar. As a country which was affected by the tsunami, our sympathies go out to the people of Myanmar and we wish to pledge our support and hope for a speedy return to normalcy.

SWEDEN

PER TRULSSON, Head of Delegation

Let me begin by joining others in thanking the Spanish authorities and the city of Madrid for organizing this year's annual meeting. It is a true pleasure to be here, enjoying the atmosphere and your hospitality.

At the same time, it is with sadness we have learned about the rising death toll from cyclone Nargis. Our thoughts are with the affected people of Myanmar*.

I would like to congratulate the President, ADB staff and all member countries on the successful conclusion of the ninth replenishment of the Asian Development Fund (ADF X), as well as on the agreement on the long-term strategic framework 2008–2020 (Strategy 2020).

Strategy 2020 and the ADF X replenishment provide a solid ground for the Asian Development Bank (ADB) to assist the Asia and the Pacific region in meeting the great challenges ahead, in particular in further reducing poverty. To this extent, the strategy needs to be the guiding light for how ADB addresses the urgent short-term needs, as well as the medium- to long-term needs, in response to the present food crisis.

Sweden places great importance on the relevance, efficiency and development effectiveness of multilateral organizations. An organization with modern human resources practices, characterized by transparency and focused on managing for results according to strategic priorities, is well poised to be able to deliver strong and sustainable results on the ground.

While the finer details still remain to be worked out, we are therefore particularly pleased that there is now agreement on a comprehensive results framework for the whole of ADB, *and* with specific targets for the fund. The adoption of this results framework puts ADB at the very front of the multilateral system in the push for better results on the ground.

However, it is essential that this is matched by the necessary changes in the way ADB does its business, not least in results reporting. The independence of the Operations Evaluation Department is crucial in this respect. We also look forward to the results of the review of the human resources strategy and the implementation of changes that are to follow from it. Staff are the most important asset of an organization. A professional human resources function geared to getting the best and most talented people for the job is key to delivering better results.

Sweden commits nearly 1% of its GDP to international development cooperation. Our commitment to fight poverty, to contribute to gender equality, to promote good governance and to address the challenges arising from climate change is strong and will remain so.

* Changed by Meeting Secretariat.

We are very happy to see the strong commitment of President Kuroda and ADB as a whole to the development of the region. We will do our part by contributing our burden share to the ADF X replenishment. We had expected a similar commitment would be forthcoming from emerging and existing donors on the continent, especially among the rapidly growing new economies.

Let me also address one of the major challenges for Asia and for ADB. Increased inequality is a challenge that is highlighted in both Strategy 2020 and addressed as a major obstacle to poverty reduction for the ADF X period. Many Asian economies have managed to grow tremendously in recent decades. The process has lifted many out of poverty, but it has also created pressures that increase inequality.

There are still 690 million people in Asia living on less than US\$1 a day and the effects of climate change and degradation of the environment will make it hard to finish the fight against poverty. We need to address their needs and we need to manage these issues within countries, regionally and globally, to avoid their potentially destructive effects on growth and human development.

SWITZERLAND

JÖRG AL. REDING, Governor

On behalf of Switzerland, I would like to extend my gratitude to the Government of Spain, and to the authorities and the people of the city of Madrid for the excellent arrangements and their warm welcome and hospitality on the occasion of the 41st Annual Meeting of the Asian Development Bank (ADB).

A year ago, we have used the expression of an Asia of two faces:

- a prosperous Asia on the one hand, growing at a breathtaking pace, and assuming an ever stronger role at the global level; and
- an Asia of growing income disparities on the other hand, where some countries are struggling to reach the Millennium Development Goals (MDGs) by 2015

These two faces of Asia are still with us, and have received renewed emphasis through the record prices for food staples that made headlines recently. It is indeed shocking that globally an additional 100 million people have come to depend on food aid within the last 6 months. In the Asia and the Pacific region those 600 million people already living in absolute poverty (i.e., living on less than US\$1 a day are the first to be hit by price hikes and the shortage of staple foods on the market.

In many developing countries, agriculture is a mainstay of the economy, and a potential engine of growth. Sadly, over the past decade, investment in agriculture has often been considered a low priority in national and international development policy. The message we have to draw from recent events is clear: agriculture remains indispensable for development and for poverty alleviation. All development partners should renew their emphasis on agricultural development and take appropriate action, especially on the policy level.

For many years we have deplored low prices for farm produce and the unfavorable terms of trade. Now that the tide has turned we are even more concerned.

High commodity prices for staple crops jeopardize the food security of the poor and carry a high potential for political unrest. Therefore, state actors tend to respond swiftly. However, the short-term response actions governments take do usually not address the challenge for long-term policy making. Only a policy that is tailor-made to specific country needs can deliver agricultural development. We need to take an integrated approach to agriculture by investing in infrastructure that supports agricultural production, a role ADB keeps playing, but also by investing in knowledge, science, creating an enabling environment for farmers, sending the right price signals, providing secure tenure, and finally by encouraging trade in agricultural commodities and keeping the borders open.

We encourage ADB to maintain a focused and selective set of activities related to agriculture, in collaboration with other actors such as the World Bank Group, the Consultative Group on International Agricultural Research (CGIAR) and the International Fund for Agricultural Development (IFAD), because, to paraphrase the long-term strategic framework (Strategy 2020), “Support for agriculture and rural areas is an underlying component of inclusive growth.”

Turning to inclusive growth

We welcome the inclusion of the concept of inclusive growth in Strategy 2020 as one of three strategic orientations of ADB to the year 2020. This means that growth will be looked at in terms of the opportunities and empowerment it creates for the poor. It means that inclusiveness has to be considered in all the core areas of ADB operations: infrastructure, environment, regional cooperation, finance sector development, and education. It means that the poor get access to infrastructure, finance and markets, and that they are equipped with basic education and vocational skills. It means that growth strategies should eliminate as much as possible “inequalities of circumstances”—such as ethnicity, class, caste, language or gender—and that they should allow only inequalities that result from individual efforts—the rewards of competitiveness.

It is crucial that ADB sees itself as a driver for inclusiveness. Growing disparities are threatening social stability in the region. Success in overcoming these disparities will benefit economic growth in the entire region.

Inclusive growth is a grand objective which requires many agents of change working together. A main agent of change is the private sector. We welcome ADB's intention to work as a catalyst for private sector investment where this still poses great risks for private investors. We are also confident about ADB further developing public–private partnerships, particularly in infrastructure —transport, water supply, energy supply.

Environmental Sustainability

Respecting social and environmental standards throughout ADB's operations is key to promoting social security and environmental sustainability. In the spirit of the commitments of the Paris Declaration and country ownership, country safeguard policies are becoming more important. With the review of its own safeguard policies, ADB is making an important move in that direction.

Switzerland supports this step, which requires a critical assessment of whether country systems are equivalent to those used by the international financial institutions (IFIs), and whether capacities to implement and enforce agreed standards are sufficient. There are a number of non-negotiable principles that need to be applied to the environment, indigenous peoples and involuntary resettlement policies. Switzerland welcomes the broad consultation of the draft safeguard policy statement on environmental and social safeguards. A broad range of views from governments, nongovernment organizations (NGOs) and the private sector needs to be heard and considered in the process of reviewing these safeguard policies.

Growth, in the long run, is only pro-poor if it is environmentally sustainable. Like any other of area of the world, the Asia and Pacific region will be affected by climate change. Over 60% of the world's population lives in this region, many of them in coastal areas that will be particularly affected by climate change, and a good number in marginal environments that bear a high risk from climate variability and temperature increase as well.

Last year, I emphasized the importance of stepping up mitigation efforts, including through energy efficiency and emissions trading. I have commended ADB for the work it is undertaking in these areas. There is no need today to reiterate that it is of great importance to develop and distribute climate-friendly technologies.

However, the challenge goes beyond the deployment of technological systems. Social systems and communities need to respond and to adapt. Collectively we have to step up our adaptive capacities. Risk assessment and risk mitigation—for example through insurance products—is part of that improved adaptive capacity, which allows individuals and societies to cope with unforeseen events and calamities.

Globally, our adaptive capacity will depend on the commitments and the close collaboration of all multilateral and bilateral partners. This is why we are talking about the future of the multilateral architecture for addressing climate change. The IFIs need to ensure consistency with the UN framework

and the recommendations of the Bali Action Plan. I encourage ADB to focus on priority areas based on its comparative advantages and to ensure that its approach to climate change is coordinated with the capacities and programs of other multilateral development banks and relevant actors.

Conclusion

We are on the road to 2020, and we hope for an Asia free of poverty. In the past year, in a rapidly changing environment, ADB has sought to articulate its strategic orientation. This process started with the Eminent Persons Group report and went through a series of consultations with its stakeholders. The end-product is Strategy 2020, which was approved by the Board of Directors very recently. We recognize this as an important moment for ADB because it is:

- a start for further efforts toward reaching the MDGs—with a replenished Asian Development Fund (ADF) as an indispensable resource to make progress; and
- a start toward implementing important policy commitments ADB has taken during the replenishment negotiations, and which have been shaping the donors' report for ADFX.

To conclude, I would like to express my gratitude to the President for his leadership, and to ADB staff for their dedicated work. I wish you success in tackling the challenges that lie ahead, and I assure you once more of the continued support of Switzerland.

TAIPEI, CHINA

FAI-NAN PERNG, Governor

On behalf of the delegation of Taipei, China*, I would like to thank the Government and people of Spain for their generous hospitality. Madrid has been a major center of European arts and culture since King Philip II moved his imperial court here in 1561. More recently, in 2001, it became the first city acknowledged by the United Nations Scientific, Educational and Cultural Organization (UNESCO) as the World Book Capital. The splendors and diversity of this great city provide a perfect setting for the annual get-together of the Asian Development Bank (ADB) family. My sincere gratitude also goes to the staff of ADB for their hard work in organizing this event.

Since President Kuroda took office, ADB has pledged its commitment to promoting regional economic and financial integration. It has also achieved concrete results in helping developing member countries to improve infrastructure and reduce poverty. 2007 was another year of solid performance

* Changed by Meeting Secretariat.

for ADB. The loans it extended reached US\$10.1 billion in total, a US\$2.7 billion increase from the previous year. ADB also generated a net profit of US\$760 million in 2007, US\$200 million more than in 2006. It is my firm belief that, under the leadership of President Kuroda, ADB will continue to chart a course of growth and prosperity for Asia and the Pacific.

ADB has recently endorsed the long-term strategic framework 2008–2020 (Strategy 2020). With poverty reduction remaining the overarching goal, Strategy 2020 encompasses three strategic agendas: inclusive economic growth, environmentally sustainable growth, and regional integration. To maximize results, ADB plans to devote 80% of its annual lending to five core areas by 2012. These are infrastructure, environment, regional cooperation and integration, financial sector development, and education.

I fully endorse the framework laid out in Strategy 2020. It draws on a visionary outlook for the region's economic landscape by 2020, outlines challenges ahead, expounds on poverty-specific issues, and sets out policy responses and institutional reforms. The framework also pinpoints human resource capacity as a crucial factor for successful implementation of strategy and prescribes immediate review and enhancement. This direction is in line with general expectations.

Moreover, as the world's fastest growing region, Asia has accumulated huge savings. This is particularly true for East Asia. How ADB could pool these funds and utilize them efficiently for Strategy 2020 should also be high on the agenda. In terms of operational goals, by 2020 private sector development will account for 50% of ADB's lending portfolio and regional cooperation and integration will make up 30%. It seems to me that the 50% ratio is on the high side and may not be consistent with the mandate of a development bank.

In July 2006, ADB adopted the regional cooperation and integration strategy based on four pillars: regional and subregional economic cooperation programs, trade and investment cooperation and integration, monetary and financial cooperation and integration, and cooperation in regional public goods. Since then, good progress has been made in each of these four focus areas. The Greater Mekong Subregion Economic Cooperation Program and the Central Asia Regional Economic Cooperation Program gained further momentum. ADB has also facilitated trade and investment policy dialogue through regional and subregional forums, such as the Association of Southeast Asian Nations (ASEAN) and ASEAN+3. It has supported the Finance Ministers Processes (FMPs) under regional forums, the ASEAN+3 Research Group and the Asian Bond Markets Initiative, as well as assisting efforts to control outbreaks of disease and other health concerns.

While the above developments are encouraging, more work remains to deepen and broaden ADB's operations in the future. Three years ago, the unofficial ASEAN+3 Network for East Asian Think-Tanks pointed out three characteristics of Asian economic development: high economic growth, high foreign exchange reserves, and high intraregional trade. Correspondingly,

three major areas for improvement were also identified: risk management, effective utilization of foreign exchange reserves, and regional financial cooperation. Since then, significant progress has been made. However, financial cooperation in the region could proceed more quickly. I would like to express my views on the monitoring of short-term cross-border capital flows, the establishment of a regional exchange rate stability mechanism, and the development of Asian bond markets.

Under the impact of globalization, short-term cross-border capital flows have surged to become a potentially destabilizing force in financial markets. The recent expectations of a weakening US dollar have triggered massive capital inflows to Asia, putting financial stability at risk in many Asian countries. I propose that a multilateral mechanism be established in the region to effectively monitor international capital movement by sharing information and, when necessary, taking concerted actions. Such a mechanism would contribute significantly to maintaining regional financial stability.

With regard to the regional exchange rate stability mechanism, intraregional trade and investment in Asia have been expanding since the 1990s. Stable exchange rates not only enhance regional economic stability but also boost trade and investment by reducing trading costs and uncertainties associated with exchange rate volatility. In recent years, the US dollar has been overshadowed by global trade imbalances and the subprime mortgage crisis, thus putting pressure on Asian currencies. Therefore, I would urge Asian countries to establish a formal regional exchange rate coordination mechanism as soon as possible to maintain the stability of Asian currencies.

In terms of Asian bond markets, a vast pool of savings has been accumulated as a result of Asia's strong economic growth over the years. Yet the region has lacked well-functioning capital markets to channel savings to long-term investment. In recent years, efforts from ADB and Asian countries have helped create Asian bond funds and the Asian bond markets initiative and contributed to the development of Asian bond markets. Further steps should be taken to establish a regional clearing and settlement system, create a regional bond guarantee agency, and strengthen regional rating agencies. Bond issues denominated in a basket of Asian currencies should also be promoted. These steps would expedite regional financial integration.

Regional cooperation at all levels and in all forms should be inclusive. All economies with adequate strength and financial resources should be allowed to participate and should not be excluded because of political or ideological considerations. Furthermore, ADB possesses more than 40 years of experience, highly qualified staff, technology and other resources. It should play an even more active role in promoting extensive cooperative relationships among member countries.

I will briefly update you on the Taipei, China* economy. For 2007, GDP went up by 5.7%, surpassing the previous year's 4.9%. Our projection of GDP

* Changed by Meeting Secretariat.

growth for 2008 stands at 4.3%. Consumer prices remain stable. Consumer price index (CPI) inflation was a mere 1.8% in 2007 and is expected to stay in check this year. The balance of payments has been in good shape. Foreign exchange reserves have been building up. The private sector maintains a net external claims position. In addition to a dynamic economy, steady efforts in political reforms have also transformed Taipei,China* into a mature democracy. Taipei,China* is blessed with beautiful landscape and diverse culture, with great sensitivity towards ecological conservation. With heartfelt sincerity, I welcome you to come to Taipei,China*, a place that will touch your heart.

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

TAJIKISTAN

MATLUBKHON S. DAVLATOV, Governor

Let me thank the Asian Development Bank (ADB) for the opportunity to welcome all participants at the 41st Annual Meeting of ADB, which is being held in such a wonderful European city.

I would like to express special gratitude to the Government of Spain for its hospitality and support in organizing this meeting.

We consider this meeting an important step in enhancing fruitful cooperation and solid relations between Tajikistan and ADB.

I am very pleased to note that, with the assistance of international agencies, including ADB which is one of Tajikistan's major donors and partners in development, Tajikistan has made considerable achievements in economic reforms and adjustment programs. This has provided a good opportunity to maintain sustainable economic growth and expand the capacity of the country to resolve poverty issues in a planned manner.

However, Tajikistan currently faces a destabilizing macroeconomic situation. An unprecedented cold winter and energy problems have crippled the economy and infrastructure, and this has caused an energy crisis and risks to food security.

The peak of the energy supply crisis is over, but Tajikistan continues to have a misbalance in fuel and gas supplies. Drought and locusts in some regions have an adverse effect on the economy.

In order to maintain sustainable growth and further development, developing countries need expanded financing, as their lack of funds and

* Changed by Meeting Secretariat.

heavy debt burden do not allow them to resolve poverty issues and achieve sustainable development on their own. Moreover, developing countries are at constant risk of unstable financial markets, fluctuations in world energy prices, natural disasters, and increasing risk of epidemics.

Considering the shortage of internal resources faced by the Government and delays in implementing development projects, I would again like to draw the attention of the Board of Governors of ADB to the possibility of financing for development without counterpart funds from governments of developing countries.

The new *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020* that is before us now commits ADB to an enhanced role in the development of Asia. We are in agreement with its vision of an Asia free of poverty and its mission to assist developing member countries to fight poverty.

We also agree with the overall strategy to limit the role of ADB to the five core operational areas of infrastructure, environment, regional integration, financial sector development, and education. It is best not to spread resources too thinly and instead concentrate on ADB's core competencies.

While the Asia and Pacific region has done well in general, there are strong interregional and intra-regional disparities in performance. Some countries have done far worse than others. Central Asia has not performed well by wider regional standards. The flow of resources has also been uneven, with poor performers getting less, compounding the problem of low growth and slow development. We would like to see many more resources flow into Central Asia, where many of the members, including Tajikistan, are Asian Development Fund (ADF)-only countries or blend countries and are in urgent need of greater resource flows as well as technology and management inputs.

We are happy that the ADF X negotiations are now complete and that there will be significantly higher allocations than during ADF IX. During ADF IX, the performance-based allocation (PBA) criteria resulted in the poorest countries receiving a lower share of ADF resources. The new PBA formula tries to correct this imbalance and we think that the share of Tajikistan will actually increase from 1.4% in 2005–2006 to at least 3.4% in 2009. This should mean a substantially higher resource flow and we will be keenly watching to see whether this promise is translated into reality.

We welcome the decision to make the PBA system less volatile. Also welcome is the enhanced grant component in the ADF allocations. The earmarking of funds for subregional projects is a good concept, but ADB will need to develop such projects quickly so that these funds can be utilized.

We are happy to support the new initiative to address the consequences of climate change and global warming. Coming after the clean energy initiative of 2007, this new fund can channel resources into cleaner energy initiatives, mass transit systems, and forestry. This fund and the associated lending programs should enable developing member countries to facilitate deployment of new technologies at lower costs.

I hope the initiative will be expanded and reinforced by particular steps aimed at eliminating the existing constraints and problems using the geopolitical and economic capacities in the region.

ADB's initiatives in developing and implementing regional projects in other parts of the Asia and Pacific region should also cover Central Asia through expanding regional infrastructure programs, especially clean energy projects and transport and communication projects.

The 6th CAREC Ministerial Conference held last November in Dushanbe was joined by ADB's President Mr. Haruhiko Kuroda and revitalized Central Asian regional cooperation.

Tajikistan could take the lead in establishing new economic relations for regional cooperation in Central Asia, for which we would need support both from individual countries and international financial institutions, particularly ADB.

From our side, I would like to give assurances that the Government of Tajikistan will continue its policy aimed at strengthening economic transparency and deepening market relations.

THAILAND

SURAPONG SUEBWONGLEE, Governor

It is an honor for me to have the opportunity to address the Asian Development Bank (ADB) Board of Governors 41st Annual Meeting. On behalf of the Thai delegation, I would like to express my sincere appreciation to the Government of Spain and ADB's Management and staff for the excellent arrangements as well as to the City of Madrid for its generous hospitality and very warm welcome.

Despite the recent global economic slowdown arising mainly from the credit crunch, rising oil prices, and food shortages, the Thai Government is trying its best to prepare and to lay the groundwork, not only for immediate problem solving, but also for the future of the Thai economy. Several measures, such as the lifting of 30% capital controls, clarification of the Foreign Business Act, a fiscal stimulus package, and investment in new public infrastructure, have been implemented. They are intended to help the Thai economy regain its growth momentum going forward and to boost public confidence as well as to improve the standard of living.

While the current food crisis is not a traditional famine, it will have adverse effects on efforts by developing member countries to achieve the Millennium Development Goals. Thailand believes ADB could take an active role in stabilizing food prices and increasing global food supplies. ADB could set up a program to finance farmers to buy seeds, fertilizers, and other inputs used for crop growing. At the same time, ADB could buy forward contracts from those farmers at agreed-upon prices. In this way, not only could the ADB help stabilize food prices, it could also create an additional supply of food on

the world market. As a major food supplier, Thailand urges ADB to take this proposal into consideration.

Over the years, ADB has played a vital role in assisting its developing member countries to achieve the Millennium Development Goals by focusing on poverty reduction. As a donor country, Thailand is positive; the replenishment of the Asian Development Fund (ADF) X, together with ADB's new long-term strategic framework (Strategy 2020) as well as the improvement in the Operations Evaluation Department should contribute toward the achievement of the Millennium Development Goals. Beside the role of regional donor, Thailand will continue to play an active role in assisting and supporting the economic development of our neighboring countries. In 2007, Thailand and ADB established a 5-year country partnership strategy which is now being used as a platform for continuing cooperation efforts at both national and regional levels. In this regard, as a member of the Association of Southeast Asian Countries (ASEAN) +3 we appreciate ADB's participation in the Asian bond market development through the issuance of local currency bonds.

Let me now conclude by reiterating the point I made a few moments ago. The world now is facing food shortages never observed before in the recent history. Its severity could wipe out all the benefits in poverty reduction member countries have made during the past decade. For countries to achieve the Millennium Development Goals, Thailand believes it is time now for ADB to take the lead in solving the food shortage crisis with collective action from its member countries.

TURKEY

İBRAHİM H. ÇANAKCI, Alternate Governor

It is a great honor for me to address the 41st Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). At the outset of my statement, please allow me to join my fellow Governors in expressing gratitude and appreciation to the Government of Spain for hosting this important meeting in this wonderful city of Madrid. I would also like to thank the Management and staff of ADB for the excellent arrangements they have done for holding the meeting.

I would like to express our condolences to the Government of Spain for the loss of former Prime Minister Mr. Calvo Sotelo. We also convey our condolences to the Government of Myanmar, where thousands of people lost their lives due to the catastrophic cyclone which hit the country yesterday.

The economic development and social transformation experienced in Asia and the Pacific over the past 20 years were remarkable. The high rate of growth in the region has produced fundamental changes. However, there is much to be done to eradicate extreme poverty as we reach the halfway mark

to the Millennium Development Goals deadline of 2015. There is no doubt that institutional and policy reforms are needed to create the opportunities for further job creation, sustained growth and improved standard of living. ADB should respond to the emerging needs of the region while remaining true to its core mission of poverty reduction.

In the environment of fundamental changes taking place globally and regionally, and the difficulties in outlining a strategic direction, we appreciate the new Long-Term Strategic Framework 2008–2020 (Strategy 2020), which gives ADB an imperative role in shaping the future of the region. The most crucial challenge now ADB is facing is to ensure effective implementation of this broad-based strategy through making good use of its regional experience and comparative strengths. While doing this, operational, organizational, and budgetary implications should be considered thoroughly and carefully.

Particularly, ADB must enhance its institutional effectiveness in order to secure adequate capacity not only for implementing Strategy 2020 but also for achieving progress in its ongoing reform agenda. We see that improving human resources management and setting institutional results-based indicators are vital in the context of reflecting ADB's overall development effectiveness.

It has been observed that ADB has made commendable progress in implementing its reform agenda since 2004. A series of initiatives aiming to closely align operations with country programs has been undertaken. ADB is increasingly focusing on results in its operations and streamlining its procedures to become a more responsive institution. Through the Innovation and Efficiency Initiative, ADB has been able to better meet the needs of the clients by providing innovative and flexible financial products, and reducing cost of doing business with ADB. We welcome the recent loan pricing reform, bringing transparency and competition in comparison with other multilateral development banks (MDBs) and market through reduction in and simplification of loan charges.

We especially give our full support to ADB's efforts in becoming a more responsive institution by empowering resident missions and delegating additional responsibility in the context of changing business needs. On this occasion, we welcome ADB's decision on opening an office in Istanbul by early 2009 to serve as a regional hub for the Caucasus region. We believe expanding the regional hub concept will ensure effective service delivery, faster information exchange, and best possible use of resources.

The evolving role of ADB in the international financial architecture makes it even more important for ADB to work closely with other development partners. Harmonizing ADB's operational practices and procedures with those of other MDBs is critical to make ADB a more cost-effective and efficient institution. The effective cooperation and coordination will enable better synergies, reduce overlaps, optimize the use of resources, and ensure coherence between the relevant strategy and policies.

ADB has been involved in a full range of governance activities and has collaborated with other MDBs in developing a common framework for

fighting corruption. The high development cost of corruption is very well recognized by international community, and collective action is required to help countries in dealing with this problem. In this respect, I would like to stress that strengthening governance and combating corruption should continue to be the focusing area of ADB in the long term.

We strongly encourage ADB to continue with the efforts to promote private sector development in the region. Expanding the role of ADB to mobilize private sector financing and promoting structural reforms to improve the enabling environment for private investment are vital in serving the needs of the developing member countries. However, ADB's ability in assessing and managing the risks of various financing instruments and modalities, such as nonsovereign operations, should be increased.

I am confident that under the able guidance of the President, Mr. Kuroda, and with the ongoing dedication and competence of ADB's Management and staff, ADB will carry out the tasks and duties assigned by us in an efficient manner. The Government of Turkey greatly values its membership in the Asian Development Bank and assures its continued support in achieving the vision of a region free of poverty.

Before concluding, I would like to extend my congratulations to the esteemed donors and ADB Management on the successful finalization of the ninth replenishment of the Asian Development Fund (ADF X).

TURKMENISTAN

DOVLET AHATOV, Head of Delegation

On behalf of the Government of Turkmenistan I am pleased to greet this distinguished gathering. I would like to express gratitude to the President of the Asian Development Bank (ADB), Mr. Haruhiko Kuroda, the staff of ADB, as well as to the Government of Spain and Madrid city for the organization of this 41st Annual Meeting.

I will begin my statement with a brief description of the latest achievements of the Turkmen economy.

The new reform policy of the President of Turkmenistan is aimed at strengthening and augmenting the economic strength of the state, providing for sustainable growth, increasing the standard of living, and developing all spheres of the state and society.

These tasks will be implemented mainly through modernization of the economy and maintenance of high rates of economic growth, particularly industrial innovation, development of transport infrastructure, and services. Further reform of education, health care, and science will provide for the resolute, progressive development of the state and strengthen its competitiveness. There will be continued diversification of the economy and an increase in exports of goods with high value added. Priority will still

be given to the development of energy, petrochemicals, and the agriculture sector.

Further refinements to the economic structure will develop manufacturing industries in order to:

- use the resource potential of the state more efficiently, and
- perform qualitative transformations in the economy through intensive development of manufacturing enterprises in various areas of industry.

Increasing the availability of alternative routes for the hydrocarbon exports is one of the main objectives of the President of Turkmenistan. We have far-reaching programs to bring the energy resources of the country to the world markets. Work has already started on construction of the Caspian gas pipeline Turkmenistan–Kazakhstan–Russian Federation and the gas pipeline Turkmenistan–People’s Republic of China. Turkmenistan continues to support the construction of a gas pipeline Turkmenistan–Afghanistan–Pakistan–India, a Trans-Caspian gas pipeline to Europe, and other export routes for our natural gas.

The integration of Turkmenistan into the world economic community is essential to the new strategy of further economic growth. At the end of 2007, the construction of the north–south corridor began to link the railroads of the Russian Federation, Kazakhstan, Turkmenistan, and Iran to the Persian Gulf and Indian Ocean. This corridor will provide for an opportunity to use the advantageous geographical position of Turkmenistan to increase the turnover of goods both within the state and between the states of Europe and Asia.

The creation of the tourist zone of Avaza is a crucial part of the new reforms and it will become a priority in enlarging international economic ties. In Avaza, favorable treatment will be given to foreign and domestic investors in tourism. The measures proposed include a simplification of the visa regime for tourists, tax concessions (for the period of construction and for 15 years after commissioning the investors will be exempted from property tax, profits tax, and VAT), customs and exchange privileges, licensing and certification, payment of land rent, and free repatriation of the earnings. The Government of Turkmenistan plans to invest over US\$1 billion in Avaza.

At the end of 2007, a national program of the President of Turkmenistan to upgrade the social and residential conditions for the residents of rural human settlements until 2020 was approved. The envisaged investments to finance construction are expected to total about 72.5 trillion Turkmen manats. The program will include the construction of houses, schools, kindergartens, medical facilities and sport centers, as well as the construction of local roads, water supply and sewerage facilities, power transmission and communications lines.

I would like to name some of the most important results for the first quarter. In January-March 2008, the positive trends in the economy of Turkmenistan

continued. Gross output grew by 120.3% compared with the same period in 2007. All branches of the economy contributed to this high growth.

The foreign trade surplus amounted to US\$896.5 million, i.e. 27.3% more than the same period in 2007. The state budget surplus equaled 3.1 trillion Turkmen manats. In the expenditures of the state budget, the main share was for financing the social development of the state. Over the period under review, the financing of social and public services absorbed 71.7% of the state budget expenditures. Over this period, investments in the economy of Turkmenistan totaled 3.7 trillion Turkmen manats, i.e., 57.7% higher than the same period in 2007.

The financial sector is undergoing a number of reforms. On 1 May 2008, Turkmenistan established an official uniform foreign exchange rate. Much work has been done within the context of the socioeconomic reforms initiated by President of Turkmenistan to develop this uniform exchange rate. This measure and the forthcoming redenomination of the national currency in 2009 are aimed at strengthening and developing further the national economy, integrating it into the global economy.

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

We note with satisfaction the active and dynamic work of ADB in Turkmenistan in implementing regional projects on power engineering and infrastructure development. We see many opportunities for our further mutually beneficial cooperation.

We are confident that in future ADB will continue its cooperation with Turkmenistan and will contribute even more to the successful socioeconomic development of the country.

UNITED KINGDOM

SHAHID MALIK, Alternate Governor

It is a real pleasure to be in this beautiful city with its rich history and culture, and I wish to join other colleagues in thanking the Government of Spain, and the people of Madrid for their kind hospitality.

I propose to talk about four issues: the long-term strategic framework 2008–2020 (Strategy 2020), the reform agenda, governance and accountability and the importance of safeguards.

Long-Term Strategic Framework

This is a time of considerable strategic importance for the Asian Development Bank (ADB). Following the lively discussion we had last year in Kyoto on the report of the Eminent Persons Group, ADB initiated

a comprehensive round of consultation and dialogue with shareholders and other stakeholders to review the long-term strategic framework.

The outcome of that process is now at hand. ADB has a new strategic framework—Strategy 2020. In the past year, we have also been discussing a replenishment of the Asian Development Fund. Ahead of us are discussions around a general capital increase for ADB. Also on the agenda are reviews of important issues such as ADB's safeguards policies, the implementation of the human resources strategy, ADB's energy policy, and the independence of the evaluation department.

I will say more on several of these issues in a minute. But first, let me touch briefly on Strategy 2020.

Under Strategy 2020, ADB will aim to reduce poverty by promoting inclusive and environmentally sustainable growth as well as regional cooperation. ADB's operations will focus on infrastructure; the environment, including climate change; regional cooperation and integration; financial sector development; and education. As such, we think Strategy 2020 provides a viable framework to guide the future direction and activities of ADB and for ADB to remain, besides the World Bank, the main multilateral financier in the Asia and Pacific region.

The task for ADB Management is now to move from the theoretical to the practical.

In particular, a key but as yet unanswered question, is how will ADB implement its new strategic framework? How will Strategy 2020 affect ADB operations? How will it impact on the organization and staffing of ADB? And what will be the budgetary implications? In short, we need to swiftly move on to a discussion about how to translate Strategy 2020 into reality and turn the words it contains into actions. At the halfway point to the Millennium Development Goals (MDGs), making faster progress is an urgent priority.

The Board of Directors has reported that ADB is running out of lending and borrowing headroom and that staff will shortly commence a study on the need for a capital increase. I will say little today about a capital increase, except that we will expect Management to explore all of the options and alternatives, make efficient use of its existing resources and ensure its operations add value. Our discussions will inevitably have to include a discussion about the size of operations which ADB envisages under Strategy 2020. The objective is not to lend more and more, but to have the maximum impact on poverty reduction.

It would be remiss of me not to mention the issue of food pricing and security at this point.

This issue, if not tackled promptly, has the potential to undo many of the gains in reducing poverty and improving economic growth and prosperity that we have seen in Asia in recent years. The events of the past few weeks and months have taken all of us by surprise and demonstrate the need for a flexible approach in setting a corporate strategy, such as that outlined in Strategy 2020.

The ADB must be part of the coordinated international response to this crisis within the terms both of its mandate and of Strategy 2020. In this regard, we welcome ADB's announcement to provide immediate assistance to protect the poorest and most vulnerable groups, together with medium- to longer-term assistance to support improvements in rural infrastructure and reform of the agriculture sector. President Kuroda's commitment to enhancing ADB partnerships in responding to the crisis is also welcomed.

Reform and ADB

I will now move on to talk about reform and ADB.

During the ADF IX negotiations, ADB committed to an ambitious reform agenda to improve the overall development effectiveness of ADB. Over the last 4 years, ADB has undertaken a number of initiatives for which it should be commended, including aiming to align its operations with country programs, diversifying its products to better respond to varying client needs, increasingly focusing on results in its operations and streamlining its procedures to become a lighter and more responsive organization. ADB can take satisfaction from this.

Yet, much remains to be done if ADB is to reach its full potential.

In particular, there is an unfinished agenda which Management needs to devote considerable attention to. This includes further mainstreaming managing for development results (MfDR); a higher degree of management ownership and leadership in delivering ADB's commitments under the Paris Declaration; improving human resource management practices, which are still overly centralized, rigid, and rules-based and far from best practice; greater delegation of decision making from headquarters to resident missions; and improving corporate governance, including the independence of the Operations Evaluation Department.

The President has reaffirmed his commitment to MfDR and recent reports and studies have confirmed that ADB has expanded its internal capacity in this area and that it has institutionalized MfDR at a rate comparable to that of other MDBs. However, there is still some way to go. In particular, it is clear to us that results are not topmost in staff's minds when processing new loans and projects and that a results-based culture is still grappling for a foothold within ADB. We look to the President and his senior team to provide a clear lead. It is essential that the UK is able to be accountable to our public, and also to the people of Asia, to be clear that resources are being used in the most effective way to fight poverty.

While we are still missing the Corporate Scorecard, which ADB promised last year and against which ADB's effectiveness could be measured, we are pleased to see that ADB is developing a unified results framework, which will form the basis for a single annual report on ADB's development effectiveness, the development effectiveness review. This is a commendable step in the right direction and we look forward to seeing this report in due course.

Governance and Accountability in ADB

Governance and accountability issues are central to maintaining the confidence and trust of all ADB's members. The selection and appointment of the head of the Operations Evaluation Department raised some questions for us around the extent to which ADB's governance represents best multilateral practice. It is imperative that the Auditor General; the Integrity Unit; and the Risk Management Unit are fully independent – and particularly the Operations Evaluation Department, as members need to have confidence in its products.

Safeguards

ADB is undertaking a review of its three safeguards policies covering involuntary resettlement, the environment, and indigenous peoples. We will see the outcome of this review later this year.

While I do not want to pre-judge the outcome of the Review, let me say that we regard an effective safeguard mechanism as being key to ADB's credibility concerning social inclusiveness and environmental sustainability. Safeguards should not be regarded as a kind of “cumbersome non-financial cost” that can be reduced, evaded, or avoided. They protect the rights of the poorest, most vulnerable people.

As shareholders and donors, we have again confirmed in Strategy 2020 that ADB has a comparative advantage in the area of infrastructure. And ADB is undertaking some very large and much-needed infrastructure investments in the region.

Big infrastructure investments have big impacts on poor people, both positive and negative. As an international development institution, ADB must uphold the highest standards in its operations. Dilution of the safeguards policies is not an option for the United Kingdom and it should not be an option for ADB and its shareholders.

Conclusion

We have a challenging year ahead of us. Asia is changing fast and ADB must transform itself to be able to keep pace with that change, remain relevant and continue to assist the poorest people in Asia. The UK, as always, stands ready to assist ADB in this task, and we look forward to a constructive dialogue in the coming year.

UNITED STATES

Statement available from the US Department of the Treasury:
www.ustreas.gov/press/releases/hp964.htm

VIET NAM

NGUYEN VAN GIAU, Governor

It is my great honor to speak at the 41st Annual Meeting of the Asian Development Bank (ADB). First of all, I would like to express my sincere thanks to ADB and the organizing committee for the excellent preparations. I would also like to thank our host, the Government of Spain, for its hospitality.

Over the past year, the global economy has experienced various complicated developments. The subprime crisis, along with the slowdown of the US economy, has had adverse implications for the global economy, and especially for the Asian economies. Higher prices, particularly for oil and food, have challenged global food and energy security. The financial turmoil that began in the US has brought about numerous global macroeconomic problems, including higher inflation, a demand imbalance, and a gloomy forecast of global economic growth from 4.9% to 3.7%. Major economies, such as the US, Japan, and the European Union (EU), have reset their economic growth goals. In the region, economies enjoying high and sustainable growth, including the People's Republic of China (PRC) and the Association of Southeast Asia (ASEAN) might see growth decreasing from 11.4% in 2007 to 10% in 2008 for the PRC and from 6.5% in 2007 to 5.7% in 2008 for the ASEAN economies.

The global economic turmoil has caused countries, including ADB members, to adjust their macroeconomic, financial and monetary policies in an effort to contain inflation pressure, and higher food and oil prices. However, these negative impacts may be mitigated in ADB members thanks to the comprehensive institutional reforms, regional trade facilitation efforts, and high regional demand over the past few years.

The current situation is setting new challenges for both regional and international institutions, including ADB. They will need to take concrete actions to support their member countries, thereby contributing to the continuation of economic stability, and sustaining achievements in poverty reduction. In addition to conducting research and providing warnings, ADB should strengthen its policy coordination with other international institutions, while proposing policy advice and solutions to each member country. ADB, with its operating principle of poverty reduction, should also provide timely assistance for countries to deal the current "hot" issue of food security.

Over the past year, ADB has had numerous achievements, showing its increasing importance and influence beyond the region. ADB has conducted research and provided assessments of global economic developments as well as of factors affecting member countries' economies, and suggested common policy directives. ADB's activities have followed its reform objectives closely and have comprised a series of initiatives to transform ADB into an institution whose activities and resources are gathered towards development

objectives and are suited to the demands of member countries. ADB has been reforming itself to improve its response to the diverse needs of its members, as exemplified by a rapid increase in the number of its field offices from 13 in 2000 to 23 in 2008. ADB continues to undergo robust adjustments in organizational structure and further internal capacity improvement so as to fulfill its mission. ADB has also made great efforts to foster partnership and coordination with other international institutions to improve the efficiency of supporting activities and to reduce costs to its member countries. The role and efficiency of ADB is ranked first in the *Global Accountability Report* by One World Trust according to four dimensions of accountability: transparency, participation, evaluation and response mechanism.

ADB continues to deploy its strengths in technical assistance and lending programs in infrastructure, education, health care, agriculture, and rural areas. Besides granting direct loans, ADB has implemented the regional cooperation initiative, including establishing a successful subregional cooperation model, the Greater Mekong Subregion (GMS), which benefits member countries by improving infrastructure and facilitating trade and investment. Meanwhile, the diversification of loan instruments, along with the adjustment of the new ones, has proved to be more suitable to the existing circumstances of the member countries.

Under the recently approved long-term strategic framework 2008–2020 (Strategy 2020), ADB reaffirms its missions in poverty reduction and economic development while preserving natural resource sustainability, and major and freer market development in an effort to share the mutual benefits of cooperation. ADB should continue asserting its role by using the advantages gained over the past 40 years. It should intensify policy dialogue with member countries, given the recent economic developments; enhance the effectiveness of policy dialogue as well as policy consultations; continue pursuing the goals of job creation, economic development, and life improvement; improve developing countries' access to funds; and work with countries to successfully achieve the Millennium Development Goals. ADB should assist member countries, especially developing countries, through funding and consultations that address food security, ensure the achievements in poverty reduction so far, and mitigate the negative implications of the global economic turmoil.

In order to fulfill its mandate and successfully implement Strategy 2020, ADB should have the corresponding resources. Viet Nam welcomes the results of the negotiations for the ninth replenishment of the Asian Development Fund (ADF X). Looking ahead, ADF remains the main instrument to implement ADB's policies and strategies, especially in poverty reduction. ADB's concessional loans and grants for developing countries with low income per capita and debt repayment capability help improve living standards in these countries. On this occasion, Viet Nam congratulates the strong commitments by donors to ADF X for a better Asia.

In 2007, Viet Nam's accession to the World Trade Organization (WTO) facilitated the deeper integration of its economy into the world economy. The main achievements of Viet Nam in 2007 were as follows.

In 2007, the economy continued to grow steadily and the highest growth rate in the previous 10 years was achieved. There were also positive changes in the economic structure. Economic growth for the year increased to 8.5% (compared with 8.2%–8.5% as planned). Agriculture, forestry and fisheries increased by 3.5%, industry and construction by 10.6%, and services by 8.7%.

Thanks to improvements in the investment and business environment, investment resources for development were mobilized from many sources, especially from foreign direct investment, and public and the nonstate enterprises. The total social fund mobilization for investment in 2007 was up by 16.4% over 2006 and accounted for 40.6% of GDP. Fund mobilization from public and private sources made up 34.4% of the total social investment fund and increased by 19.5% over the previous year. Foreign direct investment was US\$4.63 billion, an increase of more than 17.1% over that in 2006.

External activities and international economic integration achieved results, including broadening of cooperation and improving Viet Nam's position in the international arena. The implementation of international commitments also mobilized funds and facilitated technology transfer and the promotion of exports. Together with the export and import of goods, 2007 also witnessed the promotion of the export and import of services. Services combined export and import turnover in 2007 was US\$12.4 billion. Of this, exports reached US\$6 billion, up by 18.2% from the previous year, and imports were US\$6.4 billion, an increase of 24.9%.

Macroeconomic balances were maintained, facilitating economic stability and development. Budget revenue exceeded projections, and the budget deficit was contained below 5%. Total budget revenue increased by 16.4% as compared with 2006 as expected and accounted for 106.5% of the planned budget. Total budget expenditure increased by 17.9% as compared with the previous year and accounted for 106.5% of the planned budget. The Government's debt indicators and the national foreign debt remained at safe levels. Viet Nam's 2007 overall balance of payments enjoyed a surplus of US\$10.1 billion, more than double the 2006 surplus, improving the international reserves. As of the end of 2007, foreign reserves were equivalent to about 5 months of imports.

In 2007, Viet Nam gave priority to capital market development, with the securities market playing a crucial role. The aim is to increase the ratio of market capitalization to 50% of GDP by 2010 and to 70% by 2020. In 2007, the securities market grew rapidly. About 300 companies have been listed or registered to trade at the Ho Chi Minh Stock Exchange and the Hanoi Securities Trading Center, leveraging market capitalization to 35% of GDP. By the end of 2007, Viet Nam had 557 types of bonds, mainly Government bonds, the total value of which stood at US\$7.1 billion and accounted for 11.67% of GDP. Of the securities investors, 5,570 are foreign individuals and

institutions, including such international institutional investors as JP Morgan, Merrill Lynch, and Citigroup.

Economic growth has created favorable conditions for the achievement of social goals. For example, 1.68 million jobs were created, reducing the unemployment rate from 4.82% in 2006 to 4.64% in 2007. The percentage of poor households came down from 18% in 2006 to 14.7% in 2007.

Despite great achievements, Viet Nam is still facing with numerous challenges. These include the low level of growth quality, the efficiency of the economy and competitiveness. Financial market analysis, projection, and monitoring do not yet meet the requirements of rapid and sustainable economic development. The investment absorbing capacity of the economy, although being improved, is not sufficient to mobilize and use investment resources in a highly effective manner. In addition, Viet Nam also needs to surmount challenges in the areas of sustainable environmental protection, public administration reform and anticorruption measures.

2008 is considered a pivotal year for Viet Nam's development to create the momentum for the implementation of the 2006–2010 Five Year Plan and the 2001-2010 Socio-Economic Development Plan.

However, given recent global and domestic economic developments as well as inflation pressure, in 2008, the Vietnamese government gives priority to the following goals: containing inflation, stabilizing the macroeconomy, ensuring social welfare, and promoting sustainable development. Of these, containing inflation is top priority. It is expected that the Government's vigorous anti-inflationary measures will mean that GDP growth rate for 2008 will drop to 7%. However, a slowdown is necessary to restructure and enhance the competitiveness of the economy, and to establish needed fundamentals and momentum in preparation for long-term, sustainable, and high growth for the years to come.

In the past, Viet Nam has been continuously supported by ADB in terms of both financial resources and development policy consultation, as reflected in the country strategy and program for 2007–2009. Intensive dialogue and consultation have been carried out with regard to measures to contain inflation, ensure the “quality of growth” through continued attention to the needs of the poor and ethnic minorities, and sustainable environmental improvement. A significant part of these socioeconomic achievements is attributed to funding support from the ADB.

In 2007, ADB financed eight projects and programs for Viet Nam, totaling US\$1.5 billion, and grants totaling US\$7.8 million. These increased the total amount of ADB financing to US\$5.5 billion as of 31 January 2008. Energy (21.3%), transportation (21.1%), and agricultural and natural resources (17.7%) have attracted the most financing. At a consultative group meeting in December 2007, ADB committed to finance US\$1.35 billion to Viet Nam, which would make it the largest official development assistance donor in 2008. Most ADB programs and investment projects focus on improving living standards, policy reform and institutional enhancement, developing

infrastructure and human resources, and strengthening the education and health sectors, which contribute significantly to poverty reduction and socioeconomic development. Viet Nam greatly appreciates the invaluable assistance extended by ADB and other donors. The Vietnamese Government commits to utilizing these financing resources in an effective and efficient manner.

Looking ahead, it is our hope that ADB will work side by side with Viet Nam by providing support in the following areas, among others: socioeconomic infrastructure development; promotion of sound and sustainable financial markets and banking operations; strengthening of health and education sectors; and private sector development. We call for ADB's continued efforts to accelerate the implementation of regional and subregional cooperation initiatives with a view to helping members transform the current transport corridors into economic corridors, thus contributing to economic growth associated with poverty reduction at the subregional level. We look forward to enjoying further support from ADB in poverty reduction and sustainable development.

I would like to take this occasion, on behalf of the Government and people of Viet Nam, to express our sincere gratitude to the Management, Board and staff of ADB for the valuable and continuous support extended to Viet Nam. Finally, I wish you all the best of health and success. May the meeting be a splendid success.

Closing Remarks by the President of ADB HARUHIKO KURODA

Introductory remarks

Mr. Chairman, Governors of the Asian Development Bank, distinguished guests, ladies and gentlemen.

The 41st Annual Meeting is now coming to a close. This has been a successful meeting with rich discussions on substantial issues. The various events and discussions that have taken place showcased the progress of the region and our collective achievements. At the same time, we recognize the critical risks and challenges, and the many opportunities, which we need to address now and in the years ahead. I thank Governors for their insights on how ADB can play a vital role in responding to the region's most urgent needs while responding to the medium and long-term priorities of all developing member countries.

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

The Region

First, we noted that growth in developing Asia and the Pacific remains relatively strong despite a global economic slowdown and recent turmoil in financial markets. This growth is contributing to poverty reduction in the region, and benefiting the global economy. With sustained commitment to economic reform and greater intraregional economic cooperation, Asia has become a key growth center in the global economy, and the economic outlook for the region is positive.

However, persistent income and non-income poverty, along with economic and social inequalities continue to exist within and between countries. Further institutional and policy reforms, including expanded opportunities for private sector investment and job creation, are essential to close these gaps.

Second, the pressing problem of rising food and energy prices is aggravating inflation in many countries and posing serious challenges to prudent macroeconomic management and financial stability. Rising prices of basic commodities adversely affect the real incomes of poor households, putting progress on poverty reduction and social cohesion at risk. This demands early responses. Governments need to implement well designed and well-targeted programs for the poorest and most vulnerable groups, as well as policies to support open commerce and availability of basic commodities across the region. Medium to long-term measures are needed to improve agriculture productivity and modernize the rural economy, including increased investment in research, rural infrastructure and rural finance.

ADB will do all we can, within our strategic mandate, to help mitigate the food price crisis and ensure longer-term food security in the region. I am confident that with the appropriate and coordinated assistance from

the international community, the region as a whole can withstand the crisis, especially if countries work together as they have already begun to do.

Third, we discussed the risks posed by environmental degradation and climate change. The region's current pattern of energy and other natural resource use is not sustainable. Governors appreciated that Under Strategy 2020 ADB has defined the environment and climate change as a key element of its strategic agenda, and recognize the new Climate Change Fund ADB is establishing as a significant channel for strategy implementation and achievement of results in these areas. ADB's continued application of environmental safeguards in its operations is also essential.

ADB in the Asia and Pacific Region

Fourth, we discussed at length ADB's future strategic directions. We appreciate the support of Governors for Strategy 2020, including its vision, strategic agenda, main areas of operations, and emphasis on the private sector and partnerships. With our priorities clearly defined, we now look forward to implementing Strategy 2020 in continued partnership with our developing and developed member countries. And we will do so with flexibility and responsiveness to the emerging priorities of our developing member countries.

Let me also reiterate our appreciation to our donor members for their solid support of, and generous contributions to, the Asian Development Fund. ADF is a crucial instrument of the international community for achieving the MDGs in the region, and a symbol of our collective commitment to a more inclusive regional and global society.

Governors recognized that ADB must also have access to sufficient nonconcessional resources, to implement fully Strategy 2020 and accomplish its long-term goals. ADB will examine every possible option for sourcing these funds, including working with shareholders on increasing ADB's own internal capital resources.

Finally, Governors emphasized the need for ADB to consolidate its institutional reforms, continue to improve the quality of our human resources, secure the right skills mix, and strengthen our results culture at ADB. Let me assure you that we are fully committed to doing so.

Concluding remarks

It has been a privilege to meet with you here in Madrid to reaffirm our collective commitment to end poverty in Asia and the Pacific and achieve inclusive, cooperative and environmentally sustainable development and prosperity in the region.

I would like to express our sincere gratitude to the Chairman, the Honorable Pedro Solbes Mira, Second Vice President and Minister of Economy and Finance of Spain, for the excellent arrangements. And I especially want to thank the City and the people of Madrid, who, through their warm and gracious hospitality have made this 41st anniversary of the ADB a memorable occasion.

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

I look forward to seeing all of you next year when we will meet in Bali for ADB's 42nd Annual Meeting, and wish you a safe and pleasant journey home.

Thank you.

Closing Remarks by the Chair of the Board of Governors and Governor for Spain PEDRO SOLBES MIRA

I thank President Kuroda for his closing remarks and before closing this session, I should like also to make my own remarks.

The 41st Annual Meeting of the Asian Development Bank (ADB) is coming to an end and I would like to join President Kuroda in thanking all of you for your participation and your contribution to making this year's Annual Meeting a success. I want to specially thank the Governors of Viet Nam and Tonga for their help as Vice Chairs and in particular the Governor for Tonga for making himself available at very short notice.

There have been four days of intense work and lively discussions which I am sure will pave the way to ADB's continuing key role in the development of Asia and the Pacific. Undoubtedly, this year's Governors' Seminar on Strategy 2020 has set an ambitious agenda ahead for us for the coming years. Much has been achieved but much is yet to be done.

We started this Annual Meeting with some good news. Just before the meeting, the Asian Development Fund negotiations reached an agreement that will allow funding to the poorest countries to reach record levels over the next 4 years. We have won a historic opportunity to make a giant leap in the fight against poverty and we encourage ADB to make the most of it.

The Governors have offered a variety of opinions and have drawn our attention to the challenges of Asian countries and the role of ADB in supporting development strategies across the region. Successful stories had been told, while pointing out at the same time to crucial issues that need to be tackled in the near future in order to ensure that we are making the best use of the tools that we have in our hands. Quantity counts but so does quality and I expect ADB to listen sincerely to the opinions shared by fellow Governors in the past few days and to effectively implement the reform measures it has committed to.

I would like to take this opportunity also to thank President Kuroda for the milestones reached last year and to wish him and his staff success in the challenging years ahead of us. I would also like to thank the secretariat and ADB staff for their hard work in making this annual event a success. It has been a pleasure and a great honor to have played host to this event here in Madrid and I would like to end my closing remarks by wishing you all a pleasant stay in our beautiful country and a safe trip back home. I look forward to seeing you all at our next Annual Meeting in Bali.

Reports of the
Board of Directors
Presented at the Meeting

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 2007, including the financial statements for the operations of Special Funds, as contained in the Annual Report for 2007, are submitted for approval, together with the text of a draft Resolution.

ALLOCATION OF NET INCOME

REPORT OF THE BOARD OF DIRECTORS

1. ADB's net income from its ordinary capital resources for the year ended 31 December 2007 after appropriations of guarantee fees of \$5,048,492 to the Special Reserve in accordance with Article 17 of the Articles of Agreement, amounted to \$760,174,205. With respect to such amount, the Board of Directors, after due consideration, recommends that the Board of Governors adds to Cumulative Revaluation Adjustments \$87,623,631; and allocates \$12,962,000 to Loan Loss Reserve; \$278,294,287 to Ordinary Reserve; \$278,294,287 to Surplus; \$40,000,000 to the Asian Development Fund; and \$23,000,000 to the Technical Assistance Special Fund; and \$40,000,000 to the Climate Change Fund.
2. The Asian Development Fund (the Fund) incurred a net loss of \$17,315,079 for the year ended 31 December 2007. In view of the net loss for the year, there would be no income available for transfer from the Fund.
3. A draft Resolution implementing the recommendation in paragraph 1 above is attached.

BUDGET FOR 2008

REPORT OF THE BOARD OF DIRECTORS

A. Asian Development Bank

1. A report on the budget for 2007 was submitted to the Board of Governors of the Asian Development Bank (ADB) at the Fortieth Annual Meeting.¹
2. Actual net internal administrative expenses (IAE) for 2007, as presented in Appendix 1, amounted to \$325.5 million. The net IAE after the budget carryover of \$6.7 million is \$332.2 million, against the original budget of \$332.9 million.
3. The 2008 IAE budget of \$357.2 million, including a general contingency of 1% (\$3.6 million) and net of fee reimbursements from trust funds of \$5.2 million, was approved by the Board of Directors on 13 December 2007. The 2008 IAE budget is \$24.4 million, 7.3% higher than the 2007 current estimate of \$332.7 million. Pending the conclusion of the long-term strategic framework (LTSF) review, additional resources for 2008 include a moderate increase of 12 additional professional staff, primarily to meet operational requirements in: (a) coordination of approaches to weakly performing countries whose unique needs require customized assistance; (b) infrastructure operations, which require expanded and technically advanced staff; and (c) greater portfolio management responsibilities. In addition, 20 local staff positions for resident missions will be added in 2008 to meet the growing workload in the resident missions as a result of the continued delegation of project administration and country and regional strategy formulation, and the establishment of new offices in Armenia, Georgia, and Turkmenistan. The 2008 work program and budget was prepared in the context of a transition year, marking the end of the medium-term strategy II (MTS II) and preparation for the outcomes of the LTSF review and the Asian Development Fund (ADF X) negotiations. This budget ensures adequate funding is available to support high-priority work programs and initiatives in 2008.
4. A comparison of the 2008 work program with the actual results for 2006 and 2007 is shown in Appendix 2.

¹ ADB. 2007. *Budget for 2007 – Report of the Board of Directors to the Board of Governors*. Manila.

5. Appendix 3 presents a distribution of the operational expenses by department or office, and Appendix 4 provides a comparison of operational expenses by program category for 2007 and 2008.
6. In addition to the IAE budget, the 2008 budget also includes an annual capital budget of \$4.1 million, an increase of about \$0.4 million over the 2007 budget. The annual capital budget is provided mainly (i) to fund cyclical capital expenditures for headquarters' facilities and information technology equipment, and (ii) to meet the capital replacement and acquisition requirements of field offices.

B. Asian Development Bank Institute

7. Actual program expenses of the ADB Institute for 2007 amounted to \$2.4 million, 56% utilization against the 2007 budget (Appendix 5). This represents a saving of \$1.9 million. Lower utilization of the research program budget in 2007 was primarily due to staff vacancies in the research division during the first half of year and departure of two professional staff from the capacity building and training division.
8. The actual IAE of the ADB Institute for 2007 was \$8.8 million, 88% utilization against the budget. This represents a saving of \$1.2 million. Savings were mainly due to lower expenditures on staff costs, business travel, and non-utilization of the general contingency provision.
9. ADB Institute's Budget for 2008 was approved by the ADB Board of Directors on 13 December 2007. The 2008 Budget of \$14.8 million comprises program expenses (\$4.5 million) and IAE (\$10.3 million).
10. The program expenses budget of \$4.5 million comprises research (\$2.6 million) and capacity building and training (\$1.9 million). The IAE budget of \$10.3 million includes a 3% general contingency of \$0.3 million.
11. The program expenses budget accounts for 30% of the total ADB Institute budget. Program-related IAE such as staff costs, staff consultants and business travel for research, capacity building and training including administration, management and coordination amounts to \$5.7 million, 38% of the total budget. The budget for program and program-related IAE is \$10.2 million, 69% of the total budget (Appendix 6).

Appendix 1

ASIAN DEVELOPMENT BANK
COMPARISON OF 2008 BUDGET WITH 2007 BUDGET AND ACTUAL RESULTS
INTERNAL ADMINISTRATIVE EXPENSES
(\$'000)

Item	Budget	2007 After Transfers ^a	Actual	Budget 2008
A. Board of Governors	1,400	1,400	1,121	1,656
B. Board of Directors	21,499	22,052	21,925	23,184
Offices of the Directors	12,647	13,200	13,181	13,672
Accountability Mechanism	2,022	2,022	1,914	2,107
Operations Evaluation	6,830	6,830	6,831	7,405
C. Operational Expenses	250,509	250,509	249,866	270,384
Salaries	129,796	125,900	25,806	141,021
Benefits	71,773	77,100	77,064	77,304
Staff Development	4,016	3,800	3,602	4,028
Relocation	5,242	4,600	4,565	5,986
Consultants	19,370	19,400	19,181	20,144
Business Travel	19,930	19,400	19,368	21,570
Representation	382	309	279	331
D. Administrative Expenses	60,196	60,196	56,651	63,503
Communications	6,549	6,549	5,934	6,244
Office Occupancy	13,690	14,300	14,252	15,318
Library	950	950	949	965
Office Supplies	1,840	1,840	1,740	1,805
Equipment/Maintenance and Support	5,694	5,694	4,447	5,725
Contractual Services	11,831	11,831	11,030	13,890
Insurance	3,054	3,054	2,964	2,790
Depreciation	15,973	15,363	14,793	16,109
Miscellaneous	615	615	542	657
E. Total Before General Contingency	333,604	334,157	329,562 ^b	358,727
F. General Contingency	3,336	2,783	—	3,587
G. Less: Reimbursements from Trust Funds	(4,076)	(4,076)	(4,067) ^c	(5,164)
Net IAE	332,864	332,864	325,495	357,150
H. Carryover of IAE Budget	—	—	6,657 ^d	—
I. Net IAE after Carryover	332,864	332,864	332,153	357,150

— = 0 or not applicable, () = negative, IAE = internal administrative expenses.

Numbers may not sum precisely because of rounding.

^a Transfers were made between budget items without exceeding the original amount of each category. An amount of \$553,000 was transferred from the general contingency to meet the overrun in the budget category of Board of Directors: offices of the directors.

^b Excludes the following items reconciling with financial statements in compliance with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (-\$261,000); (ii) accumulated compensated absences (\$232,000), and accrued resettlement or repatriation allowances (-\$54,000); (iii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (\$7,010,000) and postretirement medical benefits (\$12,547,000); (iv) expenses related to the enhanced separation program (\$30,000); and (v) adjustments related to the Afghanistan Resident Mission Guest House (\$78,000). Total administrative expenses, as shown in the financial statements, amounted to \$349,144,000. This amount, after deducting \$1,341,000 directly charged to Japan Special Fund (\$1,246,000) and Japan Scholarship Program (\$95,000), has been distributed as follows: OCR - \$127,327,000 (Ref. OCR-2) net of \$34,080,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses; ADF - \$186,396,000 (Ref. ADF-2).

^c This amount (\$4,067,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.

^d In 2006, the Board approved introduction of a budget carryover into the following fiscal year of up to 2% of net IAE, beginning with the 2007 budget. Accordingly, \$6.7 million (2% of the 2007 net IAE budget) has been carried over to 2008.

**ASIAN DEVELOPMENT BANK
COMPARISON OF 2008 PROGRAM WITH ACTUAL RESULTS
IN 2006 AND 2007**

Item	2006 Actual	2007 Estimate ^a	2007 Actual	2008 Program ^a
A. Key Outputs				
1. Investment Operations				
Portfolio Management				
Public Sector Projects				
(number of projects)	446	454	452	468
Private Sector Operations Department				
(number of projects)	122	132	140	134
OCR Disbursement (\$ million) ^b	4,420.4	5,583.0	5,233.8	5,585.0
ADF Disbursement (\$ million) ^b	1,353.3	1,435.0	1,680.7	1,598.0
Project at Risk (% by number)				
- Regional Departments	10.0	9.0	7.6	8.0
- Private Sector Operations Department	13.9	5.0	9.3	4.0
Project Preparation and Processing				
Regional Departments				
Number of Approvals ^c	67	89	76	105
Regular Program	53	62	49	71
ADF Stand-Alone Grants	8	10	13	6
MFF Subprojects ^d	6	17	12	28
Sub- and Non-Sovereign	—	—	2	—
MFF Framework	8	15	7	14
Other Grants Projects (e.g., JFICT, and JFPR)	18	18	13	30
Amount of Approvals (\$ million) ^e	7,096.2	9,788.0	9,819.7	10,033.0
Regular Projects/Programs	5,934.0	7,746.0	7,330.7	7,330.0
ADF Stand-Alone Grants	201.4	104.0	414.0	237.0
MFF Subprojects	960.8	1,938.0	2,045.0	2,466.0
Sub- and Non-Sovereign	—	—	30.0	—
MFF Framework	3,810.0	7,261.0	4,023.7	5,140.0
Other Grants Projects (e.g., JFICT, and JFPR)	71.0	35.0	22.0	68.0
Private Sector Operations Departments				
Number of Approvals	21	25	26	25
Amount (\$ million) ^{e+f}	1,415.3	1,784.0	1,716.1	2,000.0
DVA Cofinancing Operations				
Investment Projects (number)	29	28	18	37–49
Investment Projects (\$ million)	1,390	1,223.0	1,023.0	1,350–1,800
TA Projects (number)	74	70	60	50–70
TA Projects (\$ million)	92.7	80.0	89.7	60–80
2. TA Program				
Total Ongoing TAs (number)	957	881	842	875
Total New TA Approvals (number)	260	251	242	265
Total New TA Approvals (\$ million) ^g	241.6	294.7	243.4	260–300
Preparation of New Projects - PPTAs				
Number of Ongoing PPTAs	197	194	172	212
Processing for Approval				
Number of PPTAs	73	78	66	94
Amount (\$ million)	60.9	53.8	40.6	72.2
Knowledge Management and Services				
Number of Ongoing ADTA	498	489	420	477
ADTA Processing				
Number of ADTAs	98	89	94	83
Amount (\$ million)	78.5	99.9	100.2	tbtd

Item	2006 Actual	2007 Estimate ^a	2007 Actual	2008 Program ^a
Number of Ongoing Regional TA	262	198	250	186
Regional TA Processing				
Number of RETAs	89	84	82	88
Amount (\$ million)	102.2	141.0	102.7	tbd
Economic, Sector, and Thematic Work (number)				
Operations Departments	116	215	152	143
Non-Operations Departments	96	115	102	96
3. Operations Evaluation				
Project Performance Evaluation Reports (number)	19	13	13	13
Special Studies, CAPE, and Other Studies (number)	21	28	32	23
4. Country and Regional Strategies				
Country Partnership Strategy	5	5	5	18
Regional Cooperation Strategy	1	1	—	2
Country Strategy and Program Update	9	—	—	—
Country Partnership Strategy Review	—	—	1	6
Country/Regional Operation				
Business Plan	—	23	25	21
B. Borrowings (\$ million)	5,576.2	9,300.0	8,854.3	9,900.0
C. Resources				
Authorized Staff Resources ^h				
Professional Staff	834	846	846	858
Local Staff	1,516	1,545	1,545	1,565
Internal Administrative Expenses (\$ million)	299.4	332.7	325.5	357.2
D. Net Income (\$ million)	965.5	1,044.8	1,053.3	1,036.5
Ordinary Capital Resources ⁱ	701.4	703.8	706.3	705.4
Asian Development Fund ^j	264.1	341.0	347.0	331.1

— = 0 or not available/applicable, tbd = to be determined

Numbers may not sum precisely because of rounding.

ADF = Asian Development Fund, ADTA = advisory technical assistance, CAPE = country assistance program evaluation, DVA = direct value added, JFICT = Japan Fund for Information and Communications Technology, JFPR = Japan Fund for Poverty Reduction, MFF = multitranchise financing facility, OCR = ordinary capital resources, PPTA = project preparatory technical assistance, RETA = regional technical assistance, TA = technical assistance.

Notes: ^aEstimates and projections as of October 2007. ^bFigures include advances and ADF grant disbursements, but exclude disbursement from emergency funds, equity investments and cofinancing. ^cApproval numbers exclude approvals of supplementary funds for existing projects. ^dFour subprojects approved in 2007 for Madhya Pradesh Power Sector Investment is counted as one. ^eAmounts include ADB funds (OCR + ADF loans, grants from ADF and emergency funds, equity investments, guarantees, if any) and supplementary funding, but exclude cofinancing. ^fInclude B-loans. ^gAmounts and number of TA approvals include supplementary funding. ^hExcludes staff of the Office of the Compliance Review Panel, Operations Evaluation Department, Director Advisors, and support staff of the Board of Directors. ⁱThis is net income excluding unrealized gains/losses and after appropriation of guarantee fees to the Special Reserve. ^jExcludes the impact of grants introduced in ADF IX (2005-2008) and unrealized gains/losses.

Sources: Economics and Research Department, Central Operations Services Office, Controller's Department, Office of Cofinancing Operations, Office of Regional Economic Integration, Operations Evaluation Department, Private Sector Operations Department, Regional and Sustainable Development Department, regional departments, Strategy and Policy Department, and Treasury Department.

**ASIAN DEVELOPMENT BANK
2008 BUDGET
DISTRIBUTION OF OPERATIONAL EXPENSES BY DEPARTMENT/OFFICE
(\$'000)**

Department/Office	2007		2008		% of	
	Actual (A)	% of Total (B)	Current Estimate (C)	Budget (D)	% of Total (E)	Increase/ (Decrease) (D/C) (D/C)
A. President	30,565	12	30,115	31,284	12	4
Offices of Management	5,056	2	4,622	4,536	2	(2)
Risk Management Unit	2,802	1	3,018	3,576	1	18
Office of Regional Economic Integration	3,952	2	3,930	3,640	1	(7)
Department of External Relations	4,885	2	4,635	4,414	2	(5)
European Representative Office	1,004	0	888	1,054	0	19
Japanese Representative Office	1,049	0	1,049	775	0	(26)
North American Representative Office	866	0	1,041	1,257	0	21
Office of the Auditor General	4,517	2	4,400	4,431	2	1
Strategy and Policy Department	6,435	3	6,533	7,601	3	16
B. Knowledge Management and Sustainable Development Group	23,287	9	23,435	26,263	10	12
Regional and Sustainable Development Department	14,594	6	14,519	15,519	6	7
Economics and Research Department	5,763	2	5,816	7,339	3	26
Office of Cofinancing Operations	2,930	1	3,101	3,404	1	10
C. Operations Group 1	72,906	29	72,765	78,353	29	8
South Asia Department	33,762	14	33,352	35,418	13	6
Central and West Asia Department	30,035	12	30,485	32,635	12	7
Private Sector Operations Department	9,109	4	8,928	10,300	4	15
D. Operations Group 2	70,903	28	71,547	75,192	28	5
East Asia Department	18,438	7	18,672	19,511	7	4
Southeast Asia Department	35,343	14	35,886	36,847	14	3
Pacific Department	10,311	4	10,435	11,477	4	10
Central Operations Services Office	6,812	3	6,554	7,357	3	12
E. Finance and Administration Group	51,369	21	50,031	55,724	21	11
Office of the Secretary	3,186	1	3,168	3,573	1	13
Office of the General Counsel	7,498	3	6,982	7,643	3	9
Budget, Personnel and Management Systems Department	9,334	4	9,102	10,450	4	15
Office of Administrative Services	8,676	3	8,547	9,239	3	8
Controller's Department	7,408	3	7,036	7,986	3	14
Treasury Department	7,670	3	7,537	7,603	3	1
Office of Information Systems and Technology	7,597	3	7,661	9,230	3	20
F. Unassigned	221	0	1,932	2,573	1	33
Subtotal	249,252	100	249,825	269,389	100	8
G. Young Professionals Program	614	0	648	994	0	53
Total	249,866	100	250,473	270,384	100	8

() = negative.

Numbers may not sum precisely because of rounding.

Appendix 4

**ASIAN DEVELOPMENT BANK
COMPARISON OF OPERATIONAL EXPENSES BY PROGRAM CATEGORY
2008 BUDGET AND 2007 ACTUAL
(\$'000)**

Program Category	2007 Actual^a	% of Total	2008 Budget^b	% of Total
Portfolio Management	55,657	22.3	63,172	23.4
Project Processing	43,129	17.3	46,639	17.2
Country/Regional Strategy and Programming	22,752	9.1	23,081	8.5
Direct Operational Support	17,275	6.9	19,117	7.1
Operations Overhead	45,210	18.1	48,272	17.9
Knowledge Management	30,102	12.0	31,316	11.6
Support Services	35,740	14.3	38,787	14.3
Total	249,866	100.0	270,384	100.0

Numbers may not sum precisely because of rounding.

^a Comprises staff costs, computed based on staff time estimates provided by departments/offices, and other operational expenses.

^b Indicative estimate.

**ASIAN DEVELOPMENT BANK INSTITUTE
COMPARISON OF 2008 BUDGET WITH 2007 BUDGET AND
ACTUAL RESULTS
(\$'000)**

Item	2007		2008 Budget (C)	%		
	Budget (A)	Actual (B)		Utilization (B/A)	Increase/ (decrease) (C/A) (C/B)	
A. Program Expenses	4,250	2,388	4,500	56	6	88
Research	2,350	1,327	2,600	56	11	96
Capacity Building/ Training	1,900	1,061	1,900	56	0	79
B. Internal Administrative Expenses	9,992	8,781	10,276	88	3	17
Advisory Council	86	101	86	117	0	(15)
Staff Costs	4,979	4,343	5,042	87	1	16
Staff Consultants	59	20	122	34	107	510
Business Travel	256	212	396	83	55	87
Representation	5	1	7	20	40	600
Other Administrative Expenses	4,316	4,104	4,324	95	0	5
Office Occupancy	3,072	2,957	3,182	96	4	8
Depreciation	143	176	205	123	43	16
All Others	1,101	971	937	88	(15)	(4)
Office Equipment	610	638	552	105	(10)	(13)
Contractual						
Service	248	166	147	67	(41)	(11)
Library	120	68	120	57	0	76
Communications	72	51	65	71	(10)	27
Office Supply	30	30	30	100	0	0
Fire Insurance	3	3	3	100	0	0
Bank Charge	18	10	20	56	11	100
Interest Expense (Capital Lease)	0	5	0	0	0	(100)
General Contingency	291	0	299	0	3	—
Total	14,242	11,169	14,776	78	4	32

— = 0 or not available/applicable, () = negative

Numbers may not sum precisely because of rounding.

Appendix 6

**ASIAN DEVELOPMENT BANK INSTITUTE
2008 BUDGET
DISTRIBUTION OF EXPENSES BY PROGRAM
(\$'000)**

	Research	Capacity Building and Training	Administration, Management and Coordination	Total	
				Amount	%
A. Program Expenses	2,600	1,900	0	4,500	30
B. Program-Related Internal Administrative Expenses	2,227	1,485	1,941	5,653	38
Staff Cost/Staff Consultants	2,066	1,377	1,721	5,164	
Business Travel, Representation and Advisory Council	161	108	220	489	
Subtotal (A+B)	4,827	3,385	1,941	10,153	69
C. Administrative Expenses				4,324	29
D. General Contingency				299	2
Total				14,776	100

Numbers may not sum precisely because of rounding.

RESOURCES OF ADB

REPORT OF THE BOARD OF DIRECTORS

1. In May 2000, the Board of Governors of the Asian Development Bank (ADB) adopted Resolution 270, requesting ADB's Board of Directors (the Board) to study ADB's resource requirements 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 resource position of ADB's ordinary operations.¹
2. In March 2008, Management submitted a review of ADB's resource position to the Board. The review analyzed the current and prospective capital sufficiency position of ADB and indicated that the lending headroom is projected to be exhausted in 2010 in view of the planned level of lending operations during the next 3-year cycle (2008–2010).
3. Given this analysis, the need for the next general capital increase, along with other possible avenues of resources mobilization, shall be studied in 2008; a working paper will be prepared for the Board's consideration following ADB's Long-Term Strategic Framework (2008–2020). This working paper will examine the financial implications of ADB's operational program and may set forth the range of options for the Board's consideration in conjunction with the Work Program and Budget Framework in 2008. The timeline of subsequent processes shall be determined at the time of the working paper discussion.

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; ADB. 2004. Thirty-Seventh Annual Meeting; Resources of ADB. Manila; ADB. 2005. Thirty-Eighth Annual Meeting; Resources of the Asian Development Bank. Manila; ADB. 2006. Thirty-Ninth Annual Meeting; Resources of the Asian Development Bank. Manila; and ADB. 2007. Fortieth Annual Meeting; Resources of the Asian Development Bank. Manila.

REVIEW OF RULES AND REGULATIONS

REPORT OF THE BOARD OF DIRECTORS

AMENDMENTS TO THE GUIDELINES ON THE USE OF CONSULTANTS BY THE ASIAN DEVELOPMENT BANK AND ITS BORROWERS

On 22 January 2007, the Board of Directors, through DOC.R326-06, approved the use of a flexible weighting in the quality-cost ratio for the final ranking of consultants' proposals when the quality- and -cost based selection (QCBS) method is used and the following revisions to paragraph 2.16 of the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers:

- 2.16 The total score shall be obtained by weighting and adding the technical and financial scores; this will determine the overall ranking of the consultants' proposals. The weight for the "cost" shall be chosen, taking into account the complexity of the assignment and the relative importance of quality. Except as provided for in the case of other selection methods, the weight for cost shall normally be 20%.

REPORT OF THE PROCEDURES COMMITTEE FOR 2007/2008

As required under its terms of reference, the Procedures Committee for 2007/2008 met on 4 May 2008. Governors for Australia; Austria; Bangladesh; People's Republic of China; Ireland; Japan; Pakistan; Samoa; Singapore; Spain; Sri Lanka and the United States were present at the Meeting.

The Committee submits the following report:

1. Election of a Vice Chair to replace the Governor for the Federated States of Micronesia

The Committee proposes that the Governor for Tonga be elected as a Vice Chair for this Annual Meeting in place of the Governor for the Federated States of Micronesia, who is unable to attend.

2. Schedule of Meeting

The Committee recommends that the Schedule of Meeting as shown in DOC. No. BG41-1 be approved with such changes as the Chair may announce during the course of the Meeting.

3. Provisions Relating to Conduct of Meeting

The Committee recommends that the Provisions Relating to Conduct of Meeting, as shown in DOC. No. BG41-2, be approved.

4. Agenda for Meeting

The Committee recommends adoption of the agenda as shown in DOC. No. BG41-3. Regarding the items on the Agenda, the Committee reports as follows:

- (a) **Annual Report for 2007** – 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. BG41-4, 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. BG41-5, and recommends that the draft Resolution entitled “Allocation of Net Income” be adopted by the Board of Governors.
- (d) **Budget for 2008** – The Committee recommends that the Board of Governors take note of the Report of the Board of Directors on the ADB and ADB Institute Budgets for 2008, DOC. No. BG41-6.
- (e) **Resources of ADB** – The Committee recommends that the Board of Governors take note of the Report of the Board of Directors, DOC. No. BG41-7.
- (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. BG41-8.
- (g) **Place and Date of the Forty-Second Annual Meeting (2009)** – The Committee noted the Report of the Board of Directors, DOC No. BG41-9, and recommends that the draft Resolution entitled “Place and Date of Forty-Second Annual Meeting” be adopted by the Board of Governors.
- (h) **Officers and Procedures Committee for 2008/2009** – The Committee recommends that a Procedures Committee be constituted consisting of the Governors for Bhutan; People’s Republic of China; Georgia; Japan; The Netherlands; New Zealand; Philippines; Switzerland; Thailand, United Kingdom; the United States; and Vanuatu to be available through the Forty-Second Annual Meeting for consultations at the discretion of the Chair regarding the Schedule of Meeting, Provisions Relating to Conduct of Meeting, the Agenda for the Meeting and any procedural matters, by correspondence, if necessary, and by convening immediately before, and, as required, during the Forty-Second Annual Meeting. In line with item (g) above, the Committee further proposes that the Governor for Indonesia be appointed Chair of the Procedures Committee.

The Committee also proposes that the Governor for Indonesia be elected Chair and the Governors for Denmark and Georgia be elected Vice Chairs of the Board of Governors for 2008/2009.

RESOLUTIONS ADOPTED AT THE MEETING

RESOLUTION NO. 330

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

THE BOARD OF GOVERNORS

Having reviewed the Independent Auditors' Report on the Financial Statements of ADB for 2007

RESOLVES:

That the audited Financial Statements as contained in the Annual Report of ADB for 2007, which include separate financial statements for the operations of Special Funds, are approved.

(Adopted 6 May 2008)

RESOLUTION NO. 331

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 2007

RESOLVES:

That, of the net income of ADB from its ordinary capital resources for the year ended 31 December 2007 amounting to \$760,174,205, after appropriation of guarantee fees of \$5,048,492 to the Special Reserve,

- (a) \$87,623,631, representing the FAS 133 adjustment and the unrealized portion of net income from equity investments accounted under equity method, at 31 December 2007, be added to the Cumulative Revaluation Adjustments account;
- (b) \$12,962,000 be allocated to Loan Loss Reserve;

- (c) \$278,294,287 be allocated to Ordinary Reserve;
- (d) \$278,294,287 be allocated to Surplus;
- (e) \$40,000,000 be allocated to the Asian Development Fund;
- (f) \$23,000,000 be allocated to the Technical Assistance Special Fund;
and
- (g) \$40,000,000 be allocated to the Climate Change Fund.

(Adopted 6 May 2008)

RESOLUTION NO. 332

PLACE AND DATE OF FORTY-SECOND ANNUAL MEETING (2009)

THE BOARD OF GOVERNORS

RESOLVES THAT:

The Forty-Second Annual Meeting of the Board of Governors (2009) be held from 4 to 5 May 2009 in Bali, Indonesia.

(Adopted 6 May 2008)

LIST OF OFFICIAL PARTICIPANTS

Accredited Members of Delegations Governors and their Delegations

	AFGHANISTAN
Governor	Hon. Anwar-ul Haq Ahady
Adviser	Shah Mehrabi Tia Raappana Joanna Veltri
	ARMENIA
Head of Delegation	Vahram Ghushchyan
	AUSTRALIA
Head of Delegation	Nicholas Sherry
Temporary Alternate Governor	Christopher Legg Richard Moore
Adviser	Kirsty McNichol David Pullen Vanessa Laphorne Adam Wand Amb. Noel Campbell Edward Sellars Michael Wight
	AUSTRIA
Head of Delegation	Marcus Heinz
Temporary Alternate Governor	Elisabeth Gruber
Adviser	Tobias Orischnig
	AZERBAIJAN
Governor	Hon. Heydar Babayev
Temporary Alternate Governor	Sannur Aliyev
Adviser	Vusala Jafarova Javid Kazimov Anar Maharramov

	BANGLADESH
Governor	A. B. M. Md. Azizul Islam
Alternate Governor	Muhammad Aminul Islam Bhuiyan
Temporary Alternate Governor	Amb. Md. Saiful Amin Khan
	Monwara Begum
	Md. Shafi-ul- Alam
Adviser	Md. Tarikul Islam
	Md. Tarikul Isla
	BELGIUM
Head of Delegation	Franciscus Godts
Temporary Alternate Governor	Rene Legrand
Adviser	Pieter Marinus
	Clarisse Albert
	Johanna Delaunoy
	Anne-francoise De Veth
	Diana Nikolic
	BHUTAN
Head of Delegation	Nim Dorji
Adviser	Tshewang Norbu
	BRUNEI DARUSSALAM
Governor	Hon. Pehin Dato Abdul Rahman Ibrahim
Alternate Governor	Dato Ali Apong
Temporary Alternate Governor	Mohd. Roselan Mohd. Daud
	Amb. Zainidi Sidup
	Haji Mohammad Irwan Hj Rashid
Adviser	Zamhadi Pghajimahalee
	Hajah Hafilah Haji Ajimain
	Asiruddin Zaini
	Mei Hui Yung
	CAMBODIA
Head of Delegation	Aun Porn Moniroth
Temporary Alternate Governor	Vissoth Vongsey
Adviser	Sothy Chan
	Samrith Chhuon

	Se Ly
	Chanthana Neav
	Sokha Nguon
	Hay Lonh
	Borrom Ros
	Serey Chea
	CANADA
Head of Delegation	James Haley
Temporary Alternate Governor	Roger Ehrhardt
	Rashmi Sharma
Adviser	Robert Paquin
	Patrisha Joan De Leon-Manlagnit
	CHINA, PEOPLE'S REPUBLIC OF
Governor	Hon. Xuren Xie
Alternate Governor	Yong Li
Temporary Alternate Governor	Xiaosong Zheng
	Wencai Zhang
Adviser	Shixin Chen
	Jinkang Wu
	Zhenyi Tang
	Dongxiang Li
	Junhong Chang
	Wenxing Pan
	Minwen Zhang
	Yue Chen
	Huiping Huang
	Hui Wang
	Jin Lu
	Xia Lu
	Hui Hua
	Yangzi Hu
	Yan Liu
	Fei Wang
	Zhongxin Liu
	Jun Zhu
	Benhua Wei
	Zhengxin Zhang
	Hui Yan

Governor
 Alternate Governor
 Temporary Alternate Governor

Head of Delegation
 Temporary Alternate Governor

Governor
 Alternate Governor
 Temporary Alternate Governor

Head of Delegation
 Temporary Alternate Governor

Adviser

Head of Delegation
 Temporary Alternate Governor

Adviser

Tianhang Li
 Peng Yang
 Tao Zhang
 Zhongxia Jin
 Jianjun Xu

COOK ISLANDS

Hon. Terepai Maoate
 Sholan Ivaiti
 Priscilla Maruariki

DENMARK

Sus Ulbæk
 Michael Hjortsø

FIJI ISLANDS

Hon. Mahendra Pal Chaudhry
 Savenaca Narube
 Annie Rogers
 David Kolitagane

FINLAND

Anneli Vuorinen
 Pekka Hukka
 Ingmar Ström
 Karoliina Anttonen

FRANCE

Julien Rencki
 François Marion
 Clarisse Paolini
 Jean-Marie Demange
 Jean Leviol
 Vincent Perrin
 Olivier Jonglez
 Joel Daligault
 Bich-viet Nguyen
 Pierre Mongrué
 Helene Durand
 Francois Legue

	Xavier Denis
	Amb. Pierre Duquesne
	Gerard Arfinengo
	Helene Dantoine
	Jean-Michel Severino
	Philippe Chedanne
	Anne-Marie Cabrit
	GEORGIA
Head of Delegation	Dimitri Gvindadze
Adviser	Konstantine Kintsurashvili
	Lasha Gotsiridze
	GERMANY
Governor	Hon. Karin Kortmann
Temporary Alternate Governor	Friedrich Kitschelt
	Rolf Drescher
Adviser	Hady Riad
	Alison Clark
	Gregor Alexander Pieske
	Pia-nadja Schulz
	Ernst Thien
	Uwe Ohls
	Christoph Sigrist
	Stephan Opitz
	Cornelia Richter
	Sabine Müller
	Jochem Lange
	Emiel Wegelin
	Günther Taube Dr.
	Skadi Falatik
	HONG KONG, CHINA
Head of Delegation	Pang Sing Tong Peter
Temporary Alternate Governor	Lap Kiu Carmen Chu
	Hoi Chi Gillian Hui
	INDIA
Governor	Hon. Palaniappan Chidambaram
Alternate Governor	Subba Rao Duvvuri

Temporary Alternate Governor

Ashok Lahiri
Sindhushree Khullar
Arvind Mayaram
Amb. Sujata Mehta

Adviser

Rajul Awasthi
Rachna Shah
Anuradha Thakur

INDONESIA

Head of Delegation

Anggito Abimanyu

Temporary Alternate Governor

Agus Haryanto
Rahmat Waluyanto
A. Fuad Rahmany

Adviser

Dewo Broto Joko Putranto
Mr. Herwidayatmo
Johanes De Brito Kristiadi
Amb. Slamet Santoso Mustafa
Irfa Ampri
Rionald Silaban
Maurin Sitorus
I Ketut Wirya
Ngalim Sawega
Sjamsul Arifin
Gandy Setiawan
Teni Widuriyanti
Erry Firmansyah
Inarno Djajadi
Bradley Joseph Armstrong
Dono Boestami
Ferederick St Siahaan
Gunawan Saichu
Eka Hendra Permana
Dalyono Dalyono
Vincentius Krisna Juli Wicaksono
Yetti Susilowati
Musthofa Taufik Abdul Latif
Simon Djabatwoko Irwantoro Soekarno
Yoshi Iskandar
Bayu Hari Saktiawan

Head of Delegation
Temporary Alternate Governor

Adi Winarso
Orin Basuki

IRELAND

Carmel Keane
Marianne Nolan
Alice Salam

Head of Delegation
Temporary Alternate Governor

Ignazio Angeloni
Giorgio Leccesi
Riccardo Settimo

Adviser

Maria Luisa Panzica La Manna

JAPAN

Governor
Temporary Alternate Governor

Hon. Fukushima Nukaga

Naoyuki Shinohara

Masashi Nagaosa

Tatsuo Yamasaki

Masaki Omura

Kiyohiko G. Nishimura

Adviser

Eiji Chatani

Kazutomi Kurihara

Nobuki Sato

Yasuo Fujinaka

Takeshi Yonemaru

Minoru Nakamura

Shoji Tsueoka

Hisashi Ono

Yasuto Watanabe

Kazuya Okuno

Kaori Nishiyama

Madoka Shinzato

Haruo Suga

Hiroshi Naka

Keiji Shibata

Toshinori Doi

Fumitaka Kugo

Hideo Hashimoto

Takafumi Mafune

Atsushi Mizuno
Takeshi Murazawa
Toshio Idesawa
Ken Chikada
Norio Hida
Satoru Hagino
Motohide Yoshikawa
Akira Yamada
Daisuke Nakano
Shoji Yoshida
Hidehiro Osuga
Yoshihide Matsumoto
Yoshifumi Yoshikawa
Yota Kato
Masamichi Kato
Hisako Degawa

Head of Delegation
Adviser

KAZAKHSTAN

Daulet Yergozhin
Alibek Kuantyrov

Governor
Temporary Alternate Governor

KIRIBATI

Hon. Natan Teewe
Tiimi Kaiekieki

Governor
Temporary Alternate Governor

KOREA, REPUBLIC OF

Adviser

Hon. Man Soo Kang
Je Yoon Shin
Sung Il Lee
Eun Bo Jeong
Sang Mok Choi
Seungjae Lee
Taesik Yoon
Byung Hee Yoo
Young Hyun Kim
Eui Joong Kim
So Hee Gwag
Seungtae Kim
Hyun Woo Park
Youngrak Her

Donghun Lee
Kwihwan Jun
Yeoh Jin Kim
Najung Kim
Jinhee Lee
A Jung Shunwoo
Keun Man Yook
Taek Kyu Chang
Dong Jun Park
Yunjo Chang
Seong Kim
Sung Kee Min

KYRGYZ REPUBLIC

Governor
Temporary Alternate Governor

Hon. Tajikan Kalimbetova
Gulmira Shakirova
Sabira Abdyrahmanova
Nurbek Maksutov

**LAO PEOPLE'S DEMOCRATIC
REPUBLIC**

Governor
Alternate Governor
Temporary Alternate Governor

Hon. Somdy Douangdy
Somphao Phaysith
Panom Lathouly
Bounleua Sinxayvoravong
Bounthong Keomahavong
Boualith Khounsy
Soulysak Thamnuvong

LUXEMBOURG

Governor
Alternate Governor
Temporary Alternate Governor

Hon. Jean-Louis Schiltz
Arsène Jacoby
Amb. Jean-Paul Senninger
Nicole Bintner-Bakshian
Anne Masotti

Adviser

MALAYSIA

Head of Delegation
Temporary Alternate Governor

Dato Kong Cho Ha
Sang Kuang Ooi
Datuk Rahamat Bivi Yusoff
Nozirah Bahari

Adviser	Chaw Min Chen Yap Lay Hua Amb. Naimun Ashakli Mohammad Jose Enrique Christen Gracia Ibrahim Nizar Panathodi Johan Mahmood Merican Noor Aliza Mohd Shaffi Shamsuddin Mohd Mahayidin Geraldine Anita Joseph Kamarudin Hashim Mohd Fauzi Hashim
Head of Delegation	MALDIVES Hon. Riluwan Shareef
Governor Temporary Alternate Governor	MARSHALL ISLANDS Hon. Jack Ading Jefferson Barton
Governor Temporary Alternate Governor Adviser	MONGOLIA Hon. Ulaan Chultem Dorjkhand Togmid Munkh-orgil Zorig
Governor ad interim Temporary Alternate Governor	MYANMAR Hla Thein Swe Maung Maung Win Daw Ommar Sein
Head of Delegation Temporary Alternate Governor	NAURU Marlene Moses Carla Adami
Governor Alternate Governor Temporary Alternate Governor	NEPAL Hon. Ram Sharan Mahat Vidyadhar Mallik Krishna Gyawali Madhu Marasini

Head of Delegation
Temporary Alternate Governor

Adviser

Head of Delegation
Temporary Alternate Governor
Adviser

Governor
Temporary Alternate Governor

Adviser

Governor
Temporary Alternate Governor

Governor
Alternate Governor
Temporary Alternate Governor

Adviser

Governor
Alternate Governor

NEW ZEALAND

John Whitehead
Salli Davidson
Carmen Mak
John Taine Fleming
Manuel De Juan Coba

NORWAY

Ingrid Glad
Marianne Berg Haaland
Joar Lonning Strand

PAKISTAN

Hon. Mohammad Ishaq Dar
Zafar Hasan Reza
Sibtain Halim
Shamshad Akhtar

PALAU

Hon. Elbuchel Sadang
Sally Techitong-Soalablai

PAPUA NEW GUINEA

Hon. Patrick Pruaitch
Simon Tosali
Paul Tiensten
Arthur Somare
Joseph Lelang
Kris Rabunaf Bongare
Mathias Lasia
Manu Momo
John Uware
Kingsley Lore
Christopher Hulape
Wendy Tom-isu
Esther Arua

PHILIPPINES

Hon. Margarito Teves
Amando Tetangco Jr.

Temporary Alternate Governor

Adviser

Juan Roberto Tan
 Diwa Gunigundo
 Rosalia De Leon
 Maria Theresa Quirino
 Edna Villa
 Thomas Benjamin Marcelo
 Leonora Fernandez
 Rey Anthony David

PORTUGAL

Head of Delegation
 Temporary Alternate Governor

Emanuel Santos
 Rosa Caetano
 Enrique Galan

SAMOA

Governor
 Alternate Governor
 Temporary Alternate Governor

Hon. Nickel Lee Hang
 Hinauri Petana
 Tommy Scanlan
 Philip Penn
 Noumea Simi

SINGAPORE

Governor
 Alternate Governor
 Temporary Alternate Governor

Adviser

Hon. Tharman Shanmugaratnam
 Teo Ming Kian
 Frederick Choo
 Hong Yuen Poon
 Rohini Singh
 Mark Chen
 Sing Chiong Leong
 Sharon Tan
 Song Chiew Chong
 Jason Tham Lai Cheong

SOLOMON ISLANDS

Governor
 Alternate Governor
 Temporary Alternate Governor

Adviser

Hon. Snyder Rini
 Shadrach Fanega
 Rick Nelson Houenipwela
 Mark Kemakeza
 Mckinnie Dentana
 Matthew William Hodge-kopa

	SPAIN
Governor	Hon. Pedro Solbes Mira
Alternate Governor	David Vegara Figueras
Temporary Alternate Governor	Isabel Riaño Ibañez
	Luis Orgaz
	Inmaculada Martinez Martin
Adviser	Miguel Fernández Ordóñez
	Teresa Ribera Rodriguez
	Angel Martin Acebes
	Angel Torres Torres
	Luis Diez Martin
	Jorge Alvar Villegas
	Francisco Javier Alvarez Casanova
	Javier Arístegui
	Pedro Arostegui Llama
	Antonio Bandres
	Juan Barba Cáceres
	Iciar Bellido Campos
	Paloma Bravo Rubia
	Jose Antonio Bretones Cordero
	Mario Buisan Garcia
	Luis Cacho Quesada
	Luis Canete
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	Begoña Cristeto Blasco
	Jorge Dajani González
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	Concepcion De Frutos Hernan
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Governor ad interim
Temporary Alternate Governor
Adviser

Head of Delegation
Temporary Alternate Governor
Adviser

Governor
Temporary Alternate Governor

Governor
Alternate Governor
Temporary Alternate Governor

Adviser

Governor
Alternate Governor
Temporary Alternate Governor

Governor
Alternate Governor
Temporary Alternate Governor

SRI LANKA

Hon. Sarath Amunugama
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Malanie Gamage
Asanke Dodanwela

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Matlubkhon Davlatov
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Pongpanu Svetarundra
Acksiri Buranasiri

Adviser

Satien Suratanakauikul
Poramete Vimalasiri
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Samran Bhu-Anantanondh
Poowanida Kunpalin
Perames Vudthitornetiraks
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Arkhom Term pittayapaisith
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Usa Chuenjit
Khan Prachaubmoh
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Thawat Teerawat
Vathayudh Vichankaiyakij

Head of Delegation
Temporary Alternate Governor
Adviser

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Marloes Geelen
Jaap Rooimans

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Governor	TONGA Hon. Feleti Sevele
Alternate Governor	Aisake Eke
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Adviser	Robert Solomon
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Temporary Alternate Governor	Mark Jaskowiak
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Teresa Curran
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UZBEKISTAN

Governor
Temporary Alternate Governor

Hon. Saidakhmat Rakhimov
Ravshan Gulyamov
Batir Mirbabaev
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Adviser

VANUATU

Governor
Alternate Governor
Temporary Alternate Governor
Adviser

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Simeon Athy Malachi
Odo Tevi
Philip Arubilake
Eric Pakoa Marakiwola
Philip Raupepe
Betty Kalorisu

VIET NAM

Governor
Temporary Alternate Governor

Giau Nguyen Van
Hung Le Minh
Xuan Ha Tran
Bao Nguyen Ngoc
Anh To Thi Hong
Chi Vu Lan
Ha Khuong Thanh
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Adviser

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2007/2008

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2008/2009

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PROCEDURES COMMITTEE

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