

# The Asia, Pacific Region and the ADB<sup>1</sup>

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## Abstract

Developing Asia is currently witnessing an Asian resurgence based upon the rebuilding of the pre-colonial arteries of trade and commerce that created a distinct Asian identity in the first place. This has led to a renewed energy and optimism and the means to reduce poverty and connect Asian citizens to opportunities in the global economy. Asia and Pacific grew by 7.4% last year and all but two of the region's developing economies posted positive growth, despite the impact of natural disasters, Asian flu and record oil prices. Risk to global and regional economic expansion has not lessened. Asia's economies will need to be watchful and policy makers must continue to pursue sound macroeconomic policies and continued structural reforms to sustain growth and weather potential economic shocks. Setting the risks aside, however, it appears that the region's overall economic expansion will continue in the foreseeable future.

## I. Introduction

FELLOW GOVERNORS OF the Asian Development Bank; ADB Directors, Management and staff; member country delegations; distinguished guests and participants:

On behalf of the Government of India, it is a great honor and a pleasure to welcome all of you to Hyderabad for the 39<sup>th</sup> Annual Meeting of the ADB Board of Governors. I would especially like to welcome delegates of ADB's newest member countries: Armenia and Brunei.

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<sup>1</sup> The Chair of the Board of Governors of ADB's opening address to the board of Governors at the 39th Annual General Meeting of ADB from 3rd to 6th May 2006 at HICC, Hyderabad, INDIA.

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We are delighted to be hosting this important meeting in a city that is close to the geographical heart of India, representative of India's richness of cultures and traditions and its proud aspirations for the future. I would like to acknowledge ADB's contribution as India moves forward on its path of development, growth and poverty reduction.

## **II. Tragedy in the Asia and Pacific Region**

Let me open today's session by extending, on behalf of the Board of Governors, our deep sympathy to all countries struck by catastrophes last year. 2005 was indeed a year bracketed by tragedy the tsunami that hit the coastal areas around the Indian Ocean just before the start of the year, and the debilitating earthquake in South Asia just before year's end both these disasters were also experienced in India. Throughout the year, many events on a lesser scale robbed families and communities of loved ones, homes, livelihoods and the basic necessities of life. The year also brought the threat of an avian influenza epidemic to the forefront.

We are gratified to note ADB's swift and determined response to all these events. The US \$ 600 million Asian Tsunami Fund, the largest grant program in ADB's history, is helping restore farms and fisheries; rebuild homes, roads, water and power supplies; put children back in schools; and finance new micro-industries for the poor in the affected countries. ADB's US \$ 1 billion Pakistan Earthquake Fund, quickly established in the aftermath of the quake, will revive economic activity, repair and rehabilitate damaged infrastructure, and help restore government services in that country. ADB has also pledged US \$ 470 million in grant and loan support for programs to combat avian flu. I commend ADB for its responsiveness to these large and unanticipated challenges.

## **III. Opportunities: Entering into a New Era of Development in the Asia and Pacific Region**

We gather here today to celebrate the recent achievements of the Asia and Pacific region, and to plan for its promising future. Developing Asia is currently witnessing an Asian resurgence based upon the rebuilding of the pre-colonial arteries of trade and commerce that created a distinct Asian identity in the first place. This has led to a renewed energy and optimism, and the means to reduce poverty and connect Asian citizens to opportunities in the global economy.

Riding this wave of economic renewal, developing Asia and the Pacific last year grew by a remarkable 7.4%. According to ADB's Asian Development Outlook 2006, released last month, all but two of the region's developing economies posted positive growth, despite the impact of natural disasters, avian flu and record oil prices.

Looking to the future, we must recognize that the risks to global and regional economic expansion have not lessened. It is not inconceivable that oil prices could rise yet higher. And a widening of global payments imbalances remains a possibility, increasing the risk of sharp adjustments in exchange and

interest rates. Asia's economies will need to be watchful, and policy makers must continue to pursue sound macroeconomic policies and continued structural reforms to sustain growth and weather potential economic shocks.

Setting the risks aside, however, it appears that the region's overall economic expansion will continue in the foreseeable future. Within the context of a strong global economy, continued recovery in the global electronics market and fast growth in some of our member countries such as China and India, developing Asia is projected to expand by 7.2% for 2006 and 7.0% in 2007.

#### **IV. Development Challenges**

With decades of rapid growth behind us, and positive prospects ahead, Asia is enjoying an unprecedented position of influence in the global economy. The years ahead should be years of growth and opportunity that will allow us as an important member of the international community to make further progress in the fight against poverty. It is important that we seize this opportunity to take on the many arduous challenges that remain.

Despite progress, the Asia and Pacific region is still home to two third of the world's poor. ADB's most recent estimates tell us that, in 2003, nearly 1.9 billion people one-third of the world's population were struggling to survive in our region on less than US \$ 2 a day. Among them around 620 million are the poorest of the poor, living on less than a dollar a day. They are the women, children and men in our communities and countrysides who lack even safe water to drink and they are those who live a life of meager subsistence with little access to health care, education, markets and economic opportunities.

The challenge of extending Asia's growing prosperity to the poorest among us remains pressing and immediate. Without a significant increase in investment, the region will fall short of achieving several of the Millennium Development Goals particularly in health, water supply and sanitation, primary education and the environment.

The region faces a daunting challenge in the provision of quality infrastructure. The importance of infrastructure in sustaining economic growth and improving the lives of the poor is well recognized. Governments alone will not be able to meet Asia's huge infrastructure investment needs. However, while the space for the private sector can and must be enlarged the primary responsibility of developing infrastructure and providing infrastructure services must remain that of the governments.

Globally, land degradation, dwindling water supplies, air pollution, acid rain and greenhouse gas emissions threaten the livelihoods of millions of poor people, and portend a disastrous legacy for future generations. As the region grows, it is encouraging that governments across the region recognize the necessity of making growth both economically and environmentally sustainable. Climate change is a global problem which requires a global solution. Different countries bear different levels of responsibility for increase in atmospheric greenhouse gas concentrations. The adverse impact of climate change will be disproportionately harsher on those who were least responsible for causing the problem.

Putting the region's development on a sustainable path requires particular attention to how we produce and use energy. Investment in efficient energy production and use and in renewable energy are crucial for sustainable development and to reduce our energy dependence and vulnerability to oil supply and price shocks.

In a globalized world, growth and progress cannot occur in isolation. Countries must collaborate to improve the ability of each to manage their development challenges and compete in the global economy. Intensifying our efforts in regional cooperation is critical to ensure that all of Asia becomes the model for equitable, sustainable growth and motivator for global prosperity, stability and peace.

## **V. ADB's Role in Development**

These and other challenges highlight the importance of a regional development bank like ADB. Over the last four decades, ADB has set down deep roots in Asia and the Pacific, building a profound knowledge of the region's economies, challenges and aspirations. With assistance reaching to a vast portion of the developing world, ADB is uniquely positioned to transfer the benefits of its experience from one economy to another. It can provide not only the financial resources, but also the best possible practices in its areas of expertise.

ADB is an institution committed to reducing poverty in Asia and the Pacific. With less than a decade in which to achieve the Millennium Development Goals, ADB must focus its efforts to assist its developing member countries in this important endeavor. I am happy to learn that towards this end, ADB will soon be finalizing its new medium-term strategy to guide its operations in the next 3 years.

## **VI. ADB's Accomplishments in 2005**

As President Kuroda outlined last year, to continue to meet the region's changing needs, ADB must ensure that its products and policies are relevant, its processes responsive and its personnel focused on results. In this context, I am pleased to note that ADB reached a number of milestones in 2005 under the auspices of the Reform Agenda.

In Managing for Development Results, ADB produced its first results-based annual report on the Poverty Reduction Strategy. By the end of 2005, results-based CSPs had been endorsed for Bangladesh, Bhutan, Mongolia and the Philippines, and were under development for Fiji Islands, Indonesia, Papua New Guinea, Uzbekistan and Viet Nam.

Under the Innovation and Efficiency Initiative, ADB introduced three initiatives to remove business bottlenecks and increase flexibility and responsiveness. These include: a new approach to cost-sharing and expenditure eligibility to improve project financing capability; new approach to cost-sharing and expenditure eligibility to improve project financing capability; new financing modalities, such as multi-tranche, sub-sovereign and non-sovereign financing, to better respond to development financing needs; and an expansion of local currency lending to reduce currency mismatches and support the development of capital markets in developing member countries. Along with this, ADB's credit and financial risk management functions have been strengthened through the establishment of the independent Risk Management Unit.

A number of important policies and strategies also came under review during the year. The Private Sector Development Strategy review has been completed and a new strategic framework submitted to the Board of Directors. The new framework seeks to create an enabling environment for private sector investment and to mobilize finance for private sector development. The review of ADB's governance and anti-corruption policies identified gaps in ADB's work in this area, and called for an action plan to address 15 recommendations for improvement. Finally, ADB began preparation of a new strategy for regional cooperation and integration to better reflect and respond to the region's new financial, economic and political dynamics.

2005 also saw the full implementation of two policies that are essential to ADB's Reform Agenda. The new HR strategy, approved in 2004, better aligns all staff with the institution's mission and purpose by clearly defining responsibilities and accountabilities. And the Public Communications Policy, which took effect in September 2005, places ADB at the forefront of transparency and accountability among the multilateral development banks.

Finally, in terms of operations, ADB continued to work with its member developing countries to build a firm foundation for growth and poverty reduction through many new initiatives being supported across the region.

## **VII. Conclusion**

Let me conclude by expressing my confidence that the Asia and Pacific region can meet the challenges ahead and continue to grow towards greater prosperity and opportunity. The Asian Development Bank is truly a worthy partner in this endeavor an institution born out of our mutual desire to lift all the world's people on the wings of progress. Let us therefore open this Annual Meeting by rededicating ourselves to a strong and lasting partnership for an Asia and Pacific free of poverty.

Thank you and best wishes for a fruitful and enjoyable time in Hyderabad.