

The 37th ADB Annual Meeting in Jeju:

"ADB Will Implement All Its Commitments To Become a More Accountable, Efficient and Transparent Institution to Fight Poverty And Achieve the MDGs "

Asian Development Bank (ADB) is firmly committed to reducing poverty in the Asia and Pacific region, home to two-thirds of the world's poor, the majority being women. ADB is a trusted partner, and it has the knowledge, experience, resources, and other institutional strengths that are essential for addressing the complex development challenges facing the region," said Tadao Chino, president of Asian Development Bank.

In his closing statements at the 37th Annual Meeting of the Asian Development Bank at the International Convention Center in Jeju on May 17, 2004, ADB President Chino said, "ADB will implement all its commitments to become a more accountable, more efficient, and more transparent institution that can effectively assist our developing member countries to fight poverty and achieve the Millennium Development Goals (MDGs)."

The Annual Meeting was attended by around 2,500 participants including representatives from multilateral and bilateral institutions, members of the global financial community, and civil society. During the meeting, governors reviewed the economic performance and prospects of Asia and the Pacific region, as well as the many changes and reforms that have been initiated to strengthen the development effectiveness of ADB. The 38th Annual Meeting will be held in Istanbul, Turkey.

Wrapping up the three-day meeting, Mr. Chino said that ADB governors had observed that the international community, including ADB and development partners, had played an important supportive role in the region's strong performance.

The statements, delivered by ADB President Chino, said, "Governors also highlighted the priority areas in relation to ADB's operational and organizational directions and the replenishment of the Asian Development Fund (ADF). According to the statements, governors observed:

- The economies of developing Asia and the Pacific generally showed significant resilience in 2003. Despite the prevailing uncertainties both outside and within the region, strong economic growth in 2003 made Asia and the Pacific region the most dynamic region in the world. The international community, including ADB and development partners, has played an important

supportive role in the region's strong performance.

–The overall economic growth of the region masks differences among subregions and countries on progress in reducing poverty, and particularly the non-income dimensions, which are so critical for achieving the MDGs.

Governors noted the trend towards greater regional interdependency of trade and investment and the need for closer financial cooperation. They reaffirmed that ADB's Poverty Reduction Strategy continues to provide a sound operational framework for ADB's overarching goal of poverty reduction and the MDGs.

Governors pointed to the extensive needs for infrastructure in developing countries in the region to lay the foundation for sustainable economic growth, a necessary condition for poverty reduction.

Governors stressed that ADB's private sector operations need to be closely aligned with country strategies and programs to support sustainable economic growth. Governors requested ADB to promote and support small and medium-sized enterprises, address critical financial issues such as money laundering and remittances, and provide continued support for regional cooperation in trade and investment and for improving financial intermediation.

Governors emphasized the key role of education in mobilizing the productive potential of the poor. In this context, they noted the importance of narrowing the digital divide within the region to reduce income inequality and requested ADB, in cooperation with members, to provide greater support for developing the knowledge-based economy.

Governors welcomed progress in ADB's cooperation with its development partners including harmonization that will benefit the client countries and contribute to greater development effectiveness. ADB's unique role in facilitating greater regional cooperation was also recognized.

In his opening remarks on May 15 with the theme, "The Governors' Forum on "Investing in Infrastructure for Poverty Reduction," Chino said, "In the past four decades, the Asia and Pacific region has seen remarkable social and economic development. Per capita incomes have risen considerably. Today, people are healthier, better educated, and live longer than previous generations. The driving force behind much of this positive change has been strong and inclusive growth.

"Globalization and growing regional economic integration are extending the frontier of growth by offering larger markets, new technologies, and growing sources of foreign direct investment (FDI). In order to benefit from the expansion of markets and trade, national infrastructure systems must be connected through global and regional links.

"Infrastructure development offers the foundation on which a country can seize and capitalize on the opportunities ushered in by globalization and regional integration.

"Moreover, many studies confirm that infrastructure development contributes to inclusive growth. For those living in poverty, improved access to education and health services can be vastly improved through better infrastructure such as roads, electricity, communications, water

supply, and sanitation services."

In his welcoming address, South Korean Prime Minister Goh Kun said, "The ADB should strengthen its activities to eliminate corruption and enhance transparency of economies in the region. Korea is endowed with favorable geo-economic conditions, for the country can serve as a bridge between an economic block of the Eurasian continent and the economies in the Pacific Rim.

"Korea offers to be the bridge of peace and prosperity in opening the era of the Asia-Pacific in the 21st Century. This year's annual meeting will be a valuable opportunity to solidifying cooperation among the member countries and opening up the Asia-Pacific era in the 21st Century along with the ADB.

(Chair of Board of Governors) Lee Hyun-jai, South Korean Deputy Prime Minister & Minister of Finance and Economy, said, "For the most part, Asia, U.S., EU, and other regions have entered a phase of economic recovery more firmly than others. Asia has certainly been leading this recovery from the front."

In his opening statement Lee said, "We have entered a new era of unprecedented symbiosis. More than ever, the world's economies are going to sink or swim together on the tide of the global business cycle. More than ever, the world's policy makers must be appreciative of this symbiotic relationship when contemplating their policy actions.

"Of course, even more so in the new era, sound macroeconomic policies and continued economic reforms will remain the bedrock of sustainable economic growth. However, it has also become essential to continue with the push for greater regional financial cooperation to prevent the recurrence of crises.

"I see the task ahead for the ADB to advance the its primary goal of poverty reduction. There has to be focus on growth. This is not the only recipe for poverty reduction, but certainly an important one. In order to achieve balanced and equitable growth, we must strive to create more jobs while expanding educational opportunities. The equality in education opportunity is an essential element of achieving equality in economic opportunity.

"Of course, we must not forget the importance of establishing social safety nets. In the knowledge-based economy, the digital divide may become one of the major source- s of income gaps. Therefore, as the President emphasized, we must focus more on narrowing the digital divide to achieve balanced economic development. The ADB needs to be equipped with instruments to this end.

"In order to ensure an environmentally sustainable growth, we need to consider environmental issues while pursuing development from the outset. If investment decisions are not fully cognizant of environmental considerations, there will be enormous long-run costs from environmental degradation.

In a wide ranging speech entitled "Inclusive Development and Closer Economic Integration: Keys to a Peaceful, Prosperous, Poverty-free Asia and Pacific Region," ADB President Chino

said that it was imperative to accelerate harmonious economic growth of the region as a whole with special regard to smaller or less developed countries and strengthen regional cooperation. According to Chino's speech, the economies of developing Asia and the Pacific generally showed remarkable resilience in 2003. Despite uncertainties caused by the war in Iraq, high oil prices and the outbreak of the severe acute respiratory syndrome (SARS) epidemic, GDP growth reached 6.3% in 2003, half a percentage point higher than 2002.

Given the strong economic fundamentals in the region and with a promising outlook for major industrial countries over the next two years, the economies of developing Asia and the Pacific are expected to expand robustly by 6.8% in 2004 and 6.7% in 2005. Such growth is expected to be increasingly broad based as consumer demand and business investment strengthen further and as external demand, including intra-regional trade, remains buoyant.

Reducing poverty in Asia and the Pacific is the greatest challenge we are facing. Although income poverty has declined in recent years, progress toward the non-income MDGs has been limited. Unless there is a redoubling of efforts, Asia and the Pacific, which is still home to two thirds of the world's poor, is at serious risk of not achieving the MDGs related to health, education, gender, and the environment.

A dynamic private sector is crucial for sustainable economic growth, a necessary condition for poverty reduction. ADB will continue to help create an enabling environment for private sector development by improving basic infrastructure and by supporting policy, institutional, regulatory, and judicial reforms that improve governance, which is so essential for attracting private sector investments.

ADB provides, under the same roof, public sector lending and private sector finance including loans and equity investments as well as credit enhancement products, such as guarantees. Therefore, ADB can effectively deliver synergistic solutions to development challenges. ADB thinks private sector development in public sector operations and development impact in private sector operations.

On May 15, 2004, the bright economic outlook for Asia's economies present an opportune time to consider and act upon regional cooperation initiatives to enhance resilience to future shocks. Finance ministers of the 10 ASEAN member countries and plus Three (ASEAN+3) agreed to further promote cooperation in the financial sector.

With the title of "Economic Outlook for ASEAN+3", the ministers who gathered in Jeju Island to take part in the 37th Annual Meeting of the Board of Governors of the Asian Development Bank also shared opinions on the current economic issues and the recent economic and developments in the Asia Pacific region.

In a joint statement issued by ministers from the 10 ASEAN countries (Brunei Darrussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam) plus Three (the People's Republic of China, Japan and Republic of Korea), they agreed to undertake a further review of the Chiang Mai Initiative (CMI) to explore ways of enhancing its

effectiveness.

The weekend meeting of the top economy policymakers from the 13 nations touched on the two key policies to promote the regional economic and financial cooperation: the "Chiang Mai Initiative," and the Asian Bond Market Initiative along with the ASEAN+3 Research Group, and monitoring of capital flows.

The CMI, a regional financing arrangement, was reached in May 2000. It involves a network of bilateral swap arrangements between member countries to provide mutual assistance in times of financial difficulty such as the 1997 Asian financial crisis.

The main task of the Asian bond market initiative is to nurture the regional bond market. The market is still in its infant stage, but financial experts expect the savings gained from lower-cost borrowing could be reinvested within the region. The effort is expected to mitigate currency and maturity mismatches in financing in the Asia and Pacific region.

In the first half of 2003, the weakening global economy, uncertainties surrounding the war in Iraq, and the outbreak of Severe Acute Respiratory Syndrome (SARS) contributed to a slowdown in GDP growth for many of these economies. Although signs of improvements were visible in early August last year, our assessment was one of cautious optimism. However, since then, the economic situation has taken a turn for the better.

As a result, the ASEAN+3 countries, posted a GDP growth of 4% in 2003 - considerably better than the 2.4% growth foreseen earlier. Among the countries that performed better than expected were Thailand, Japan, PRC, and Malaysia, and to a lesser extent the Philippines, Indonesia, and Vietnam. A number of developments in recent months suggest that the economic outlook for ASEAN+3 will continue to be very positive.

First, the external economic environment facing ASEAN+3 has vastly improved in recent months. There is increasing evidence that the US economic recovery is strengthening. There were concerns about the pace of job creation, but there are signs of improvement.

Second, within the region, Japan's economy is continuing to exceed expectations. Fourth quarter annualized GDP growth last year was a better than expected at 6.4%. GDP growth for 2003 reached 2.7%, much higher than the 0.9% forecast made at the time of our last meeting in August 2003.

Third, the recent buoyancy in intra-regional trade among ASEAN+3 countries is another factor that augurs well for the region's growth prospects. Intra-regional trade among ASEAN+3 countries now accounts for about 35% of the region's total exports, partly driven by the strong growth in China.

Finally, within ASEAN+3, domestic demand remains strong in several countries. This should continue to support growth. In Japan, while growth was driven primarily by exports in the initial phase of the current recovery, domestic demand is increasingly becoming a significant source of growth.

Among other countries, domestic demand, especially fixed investment, is growing at an exceptionally high pace in the PRC. In the last two years, consumer spending accounted for

about one third of the GDP growth in Indonesia and Malaysia and more than half in the Philippines and Thailand.

"Asian Bonds Online" web site, a one-stop clearing house of information on the rapidly growing sovereign and corporate bond markets in the region, was launched on May 15, 2004. The launch was held following the ASEAN+3 Finance Ministers Meeting, which took place in parallel with ADB's 37th Annual Meeting in Jeju.

Supported by ADB and financed by the Government of Japan, the web site is part of the ASEAN+3 Asian Bond Markets Initiative (ABMI), a cooperative effort to help develop mature bond markets in the region.

The web site provides a common format for accessing information on market infrastructure, rules and regulations, market activities, market data, and new policies and initiatives for each market as well as the region as a whole. It also provides news and commentary on regional bond markets, recent economic releases, research, and analysis.

The site will offer investors easy and centralized access to information about a segment of the global financial market that is growing in size and importance. For the first time, concrete steps are being taken at the regional level by the ASEAN+3 and other groups to complement individual country efforts in developing bond markets.

The ABMI aims to enable private as well as public sectors to raise and invest long-term capital while effectively managing maturity and currency risks. Deep, liquid bond markets mitigate over-reliance on bank lending for corporate financing requirements, a situation that exacerbated the Asian financial crisis in 1997.

The web site will help to avoid the double mismatch of currencies and maturities that was at the heart of the 1997 Asian financial crisis. They will play a key role in transforming Asia's large levels of savings into long-term investments within the region, which will be so essential for developing Asia in achieving sustainable economic growth and reducing poverty.

Asian Bonds Online can be accessed at <http://asianbondsonline.adb.org>.

Since its establishment in 1966, the ADB has strived to reduce poverty and promote economic development in Asia and the Pacific. It has also made tremendous endeavors in the areas of human resources development and environment protection. As a result of such efforts, the ADB has made significant contributions in lowering the proportion of the poor, who live on less than a dollar a day, from 32% in 1990 to 22% in 2000. This is truly a remarkable achievement, equivalent to saving 180 million people from extreme poverty in Asia and the Pacific for a decade.

These achievements were possible because the ADB, without fail, continues to set achievable goals, taking into account the ground realities in Asia and the Pacific and implement policies as planned in close cooperation with the member countries in the region.

When ADB was being created, Asia was divided, stricken by conflict, and the poorest region of

the world. Today, the vision of an integrated, prosperous, poverty-free, and peaceful Asia is no longer a dream but an achievable goal. We know the challenges are daunting. With the strong support of all shareholders and by working together with all development partners, ADB will do its utmost to help realize this vision, not only for the good of Asia and the Pacific but for the peace and prosperity of the whole world.

Korea has been enjoying close partnership with the ADB since it embarked on economic development in the 1960s. In addition to the US\$6.3 billion financial assistance, the bank has provided much-needed assistance and support for Korea's economic development, including expertise and experiences in the area of development.

On reviewing the ADB's key activities over the past year, "First, ADB is at the forefront of rebuilding member states emerging from years of conflict. In Afghanistan, we played a major role in working with the government and other donor agencies to reassess the resources needed to provide basic services to the Afghan people over the next decade."

According to the ADB president, they are focusing on building capacity, rehabilitating essential infrastructure, and establishing appropriate policy and institutional frameworks. Looking forward, ADB's assistance and operations must also respond to the development needs of middle-income countries, where we still see a large number of people trapped in poverty and persistent inequality.

Against this backdrop of widespread poverty and instability, it was imperative to accelerate harmonious economic growth of the region as a whole, with special regard to smaller or less developed countries and to strengthen regional cooperation. These were considered to be the keys to peace, stability, and prosperity in the region and are reflected in the Charter of ADB.

For Asia to maintain this progress and achieve peace, prosperity, and freedom from poverty, further structural reforms as well as a deepening and an expansion of regional cooperation are crucial. Consistent with its Charter, ADB must promote ongoing regional economic integration and ensure that it will be pro-poor and equitable, both within and among countries and open to the rest of the world.

peace and prosperity of the whole world.

Korea has been enjoying close partnership with the ADB since it embarked on economic development in the 1960s. In addition to the US\$6.3 billion financial assistance, the bank has provided much-needed assistance and support for Korea's economic development, including expertise and experiences in the area of development.

On reviewing the ADB's key activities over the past year, "First, ADB is at the forefront of rebuilding member states emerging from years of conflict. In Afghanistan, we played a major role in working with the government and other donor agencies to reassess the resources needed to provide basic services to the Afghan people over the next decade."

According to the ADB president, they are focusing on building capacity, rehabilitating essential infrastructure, and establishing appropriate policy and institutional frameworks. Looking forward, ADB's assistance and operations must also respond to the development needs of

middle-income countries, where we still see a large number of people trapped in poverty and persistent inequality.

Against this backdrop of widespread poverty and instability, it was imperative to accelerate harmonious economic growth of the region as a whole, with special regard to smaller or less developed countries and to strengthen regional cooperation. These were considered to be the keys to peace, stability, and prosperity in the region and are reflected in the Charter of ADB.

For Asia to maintain this progress and achieve peace, prosperity, and freedom from poverty, further structural reforms as well as a deepening and an expansion of regional cooperation are crucial. Consistent with its Charter, ADB must promote ongoing regional economic integration and ensure that it will be pro-poor and equitable, both within and among countries and open to the rest of the world.