Statement by

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On behalf of the Asian Development Bank (ADB), I would like to thank the Development Committee for the invitation to attend its 89th meeting as an observer. Today I will discuss some of the key development challenges in the Asia and Pacific region. I will then outline ADB’s proposed strategic directions to help this dynamic region in meeting its changing needs.

PROGRESS AND CHALLENGES IN ASIA AND THE PACIFIC

The Asia and Pacific region continues to advance and take on an increasingly prominent role in the global economy. Rapid growth has lifted hundreds of millions out of extreme poverty. In 1999, almost 1.3 billion people in the region lived on less than $1.25 a day. By 2010, that number had dropped by nearly half, to about 733 million.1 Most countries in the region have transitioned into middle-income status, and hundreds of millions of people now enjoy better quality of life.

But this success is only half the story. Many challenges remain; I will briefly mention four of these.

First, despite impressive progress, the region remains home to 60% of the world’s extreme poor and two-thirds of the world’s hungry.2 In addition, a large number of people just live above the poverty threshold and are just one job loss, illness, crop failure, or natural calamity away from falling into poverty. Further, vulnerability to external shocks in a global world has emerged as a major development issue.

Regarding the Millennium Development Goals (MDGs), progress has been uneven. Collectively, the region has achieved the goal of reducing, by half, the proportion of people living in extreme poverty. But the achievement of several MDGs is far too slow. The MDGs for reducing the number of underweight children and those related to child health and maternal mortality will not be reached by 2015. The region is also off track on the environmental MDG related to access to basic sanitation, which is associated with health outcomes.

At the same time, people’s aspirations in the Asia-Pacific region are higher today than 20 years ago when the MDGs were developed. While the urgency of meeting the current MDGs remains, the evolving post-2015 agenda should take into account these rising aspirations for more ambitious levels of human development.

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In this regard, we believe that the current poverty threshold of $1.25 a day is no longer sufficient to provide for basic needs in the region. In fact, in most developing countries in Asia and Pacific, the national poverty line is set at higher levels.

A second emerging challenge is the increase in inequalities within and across countries. The Gini coefficient for the region increased from 39% in the mid-1990s to 46% in the late-2000s. Development experience has shown that rising inequalities threaten social cohesion and stability, and ultimately economic growth itself. The challenge for the region, therefore, is not only to sustain growth, but also to reverse the trend of increasing inequality and make growth more inclusive.

Third is the environment. The region’s rapid growth has led to various environmental stresses, including challenges arising from climate change. The frequency and severity of catastrophic events are increasing, and hit the poor the hardest. The region cannot ignore the warning signs of recent deadly floods in Thailand, the People’s Republic of China and the Philippines. Demographic changes and rapid urbanization will also have profound effects on the region’s development.

The fourth challenge I will touch on is regional cooperation and integration. Regional cooperation and integration offers vast potential for accelerating growth and reducing poverty, but the region has yet to fully realize this potential. While considerable progress has been made in economic and financial cooperation, the recent global crisis has added a sense of urgency for cooperative actions going forward. More needs to be done to promote intraregional trade, which can complement domestic demand to help drive growth and dynamism in the post-crisis world. This will require large investments in regional infrastructure to improve regional connectivity and measures to strengthen trade and finance links.

MEETING THE CHALLENGES OF A TRANSFORMING REGION

Let me turn now to ADB’s strategic directions. In 2008, ADB approved its long-term strategic framework, Strategy 2020, which focuses on three development agendas—inclusive economic growth, environmentally sustainable growth, and regional integration.³ We are now finalizing a midterm review of this strategy to prepare ADB to meet the challenges of a transforming Asia and Pacific region. At the heart of the review is a focus on how ADB can improve its operations on the ground and provide better service to its member countries.

The midterm review will be discussed by ADB’s Board of Directors in the third week of April 2014, and presented during ADB’s Annual General Meeting in Astana in May 2014.⁴ I will provide a brief overview of the evolving strategic directions.

The review found that Strategy 2020’s broad strategic directions remain valid and relevant in today’s development context. However, it also indicated the need to sharpen and rebalance ADB’s operational focus to respond better to the region’s evolving needs.

ADB needs to sustain its efforts to eradicate extreme poverty and strengthen inclusiveness of its operations to reduce inequalities. We also need to build up the resilience of vulnerable populations to economic downturns and environmental dangers. Regarding climate change, we need to support climate change adaptation in addition to mitigation efforts in our developing member countries. And we need to


deepen our support for regional cooperation and integration. Infrastructure investment will remain ADB’s major focus in pursuing these agendas. However, we will improve our infrastructure operations through greater attention to achieving results, sustainability, and leveraging of resources.

As I noted, most developing Asian economies have achieved middle-income status. We will therefore strengthen our engagement with middle-income countries on their broader development challenges. This will include strengthening our private sector development work, and becoming more actively involved in providing knowledge solutions. In addition to project financing, ADB will seek to become a more active project developer and a resource mobilizer in order to raise financing from other development partners, including the private sector.

To do all these and more, we need to strengthen ADB’s capacity and effectiveness. This requires that we recalibrate our business model and institutional setting, improve project implementation, mobilize greater resources, strengthen our knowledge work, and promote innovation to improve delivery of services. ADB’s resources, while important, will remain only a small part of development financing in the region. We will need to use these resources creatively while exploring innovative ways to expand ADB’s capital base. We will also need to invest in a diverse and inclusive workforce, and ensure value for money and cost-effectiveness of ADB’s administration and operations.

CONCLUDING REMARKS

Ladies and gentlemen, the midterm review provides ADB with the opportunity to innovate and adapt to meet the challenges of a transforming Asia and the Pacific region. This will help ADB in becoming an even more relevant, responsive, and effective regional partner.

Once again, thank you for this opportunity. We at ADB look forward to our continued partnership with you for development in Asia and the Pacific.