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on the
Transfer of Real Resources to Developing Countries)



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Statement by

Mr. Haruhiko Kuroda
President

Asian Development Bank

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at the 86th Meeting of the Development Committee

**October 13, 2012
Tokyo, Japan**

On behalf of the Asian Development Bank, I wish to express our appreciation for the invitation to attend the 86th meeting of the Development Committee as an observer. Today I would like to briefly discuss three issues: first, the latest economic outlook for the Asia and Pacific region; second, jobs and development; and third, disaster risk management.

A. Economic Outlook in Asia and Pacific Region

Our recent Asian Development Outlook Update indicates that GDP growth in developing Asia will slow from 7.2% in 2011 to 6.1% in 2012 before picking up somewhat to 6.7% in 2013. While the slowdown is manifest in India, the People's Republic of China and other export-oriented economies in East Asia, growth in the other subregions is forecast to remain resilient this year. In fact, we project average growth in developing Asia excluding East Asia and India will increase to 5.2% in 2012 from 4.9% in 2011.

We also see average inflation in developing Asia moderating to 4.2% in both 2012 and 2013, improving on the 5.9% recorded last year. However, international food and fuel prices were quite volatile in the first half of 2012 and the surge in food and oil prices in the second half of 2012 remains a concern.

The unresolved euro crisis and the increasing US deficit will pose the biggest downside risks to the outlook, with the weakening momentum of growth in the PRC and India exacerbating the growth outlook for the rest of Asia. The possibility of sudden capital flow reversals is a continuing concern.

Currently, developing Asia has no urgent region-wide need to pursue countercyclical macroeconomic policies. Most economies in the region have ample room to use monetary and fiscal policy tools if needed. Given the weakness in major industrial countries and decelerating growth in the region's two giants, Asian economies need to adapt by accelerating the rebalancing process, improving productivity, enhancing efficiency, and developing a vibrant service sector.

B. Jobs and Development

In light of the sluggish global economy, ADB will continue to work with its partners to respond to any emerging needs in the Asia and Pacific region. One area where we would like to work more closely with our partners is in "jobs and development". The challenge of creating decent employment opportunities in developing Asia is daunting. Policy makers need to expand access to education at all levels and to adapt technical, vocational, and higher education to changing labor market requirements.

While youth employment is particularly crucial to a nation's development, the region's young people are increasingly struggling to find a decent job. About 3.1 billion people (or about half of the world population) live in the Asia and Pacific region. Of these, about 40% are below 19 years old and will enter the active labor market in the coming decades. Up-to-date unemployment data are sparse, but among 18

Asia and Pacific economies, the youth unemployment rate has been rapidly increasing for the last 15 years. (ADB Key Indicator 2012).

One of the major challenges in relation to unemployment is the mismatch of skills. Although countries are investing in skills development and education, this investment does not necessarily result in better employment outcomes. Education and training institutions must provide the skills needed in the market today and in the future. Another area of concern is the vast informal labor markets that prevail in the region. Many countries lack sound employment strategies to improve employment opportunities for informal sector workers.

The region has enjoyed a remarkable period of growth and poverty reduction. But the new global realities of technological progress, more globally integrated markets, and greater market orientation are magnifying the effects of inequalities in physical and human capital. Asian policy makers need to redouble their efforts to equalize opportunities in employment and education to make growth more inclusive. Without such policies, Asia may be pulled into inefficient populist approaches, which would help neither growth nor equity.

To help our region make growth more employment friendly, we at ADB will work with our partners in three key areas. First, we will support skills development and education sector reforms which respond to labor market demand. Second, we will encourage structural transformation to create a greater number of productive jobs and maintain a balanced growth between manufacturing, services, and agriculture. Third, we will support the development of small and medium-size enterprises.

C. Disaster Risk Management in ADB

Let me turn to disaster risk management – a topic of high relevance here in Japan, which is quickly recovering from the devastating Great East Japan Earthquake in 2011.

Asia and the Pacific are subject to all categories of disasters caused by natural hazards. Disasters have a particularly severe impact on the most vulnerable people in developing countries, and on development initiatives. On average, countries in the Asia and Pacific region are struck by approximately 150 separate natural disasters each year, affecting more than 200 million people and causing over \$40 billion in damages. The economic costs of disasters in developing Asia are typically twenty times those of developed countries. Less than 5% of the direct disaster losses in the region are insured, compared to 40% in developed countries. Since developing countries typically do not have the capacity to absorb the remaining 95%, these uninsured costs are often paid for by diverting resources from other essential development activities – or they remain unattended until resources become available.

Disasters significantly disrupt the development plans of affected countries, driving back hard-earned development gains. The impact of disasters is greater in countries with inadequate disaster risk management and disaster risk reduction capacities. This is why development agencies, such as the ADB, spend a lot of time and resources working to develop the internal capacity of countries at risk from natural hazards.

In 1987, the Asian Development Bank became the first multilateral development bank to have a dedicated disaster policy. Our current Disaster and Emergency Assistance Policy promotes an Integrated Disaster Risk Management approach that combines disaster risk reduction, elements of climate change adaptation, and disaster risk financing to support member countries in developing their capacities to deal with disasters. Since 1987, ADB has provided more than \$14 billion for disaster risk management, a figure which includes resources from ADB and ADB-administered external sources. Between 2004 and 2011, we provided about \$10 billion for 434 new disaster-related projects, over half of which were for disaster risk reduction activities. In addition to our normal lending instruments, we offer TA grants for disaster

prevention, and emergency assistance loans to help rebuild high-priority physical assets and restore economic and social activities after emergencies.

To provide timely assistance to developing member countries affected by disasters, ADB also established the Asia Pacific Disaster Response Fund in 2009. This special-purpose Fund provides immediate grant support to developing member countries to help meet immediate financial requirements stemming from disasters. This is not a relief fund, but instead provides budget support to assist governments to provide emergency services to affected populations. This approach recognizes that few countries have sufficient cash resources at hand to finance the immediate costs, and that it also takes time for international assistance to be organized and to reach affected persons.

As part of our efforts to strengthen disaster risk reduction in the region, ADB is prioritizing support in two main areas. First, we work with developing member countries to strengthen disaster risk financing capacities through standby credit arrangements and improved access to market-based risk transfer solutions. Our South East Asia Department has been working closely with our member governments and private sector partners on this. Second, we support risk reduction by protecting critical infrastructure; reinforcing vulnerable structures; and strengthening building, land use and zoning codes.

Stronger partnerships among development partners are critical for meeting this challenge. We look forward to working with our partners in Government and in the international community to build a stronger, safer, more resilient Asia and the Pacific.