

ADDRESS BY THE PRIME MINISTER AT THE
SEVENTH ANNUAL MEETING OF THE ASIAN
DEVELOPMENT BANK AT HILTON HOTEL,
KUALA LUMPUR ON 25TH APRIL. 1974

Mr Chairman, Hon. Mr Chavan; Mr Inoue, President of Asian Development Bank, Distinguished Ministers, Your Excellencies, Ladies and Gentlemen.

I consider it both an honour and a privilege to address this assembly and to officially declare open this Seventh Annual Meeting of the Asian Development Bank. Indeed, we in Malaysia are singularly proud to be hosts to this distinguished gathering of Finance Ministers, Central Bankers and financial leaders of member countries of ADB especially since this is the first time the ADB Annual Meeting is held in our capital city of Kuala Lumpur. On behalf of the Government and people of Malaysia, I wish you all "Selamat Datang" and a pleasant stay in our country.

Ladies and Gentlemen.

Malaysia has been closely and actively associated with the Asian Development Bank since its inception in 1966—an association that has been both satisfying and beneficial to us. During these intervening years, we have seen the Bank grow in stature among the Development Financing institutions of the world. The ADB has been a catalyst in facilitating and promoting regional cohesion and co-operation, particularly here in Southeast Asia.

I would like to take this opportunity to pay tribute to you, Mr President, the Board and its staff for the important contribution that the ADB is making to the welfare and progress of the millions of people in the developing panorama of Asia. I would also like to pay our tribute to the first President Mr Watanabe, for his invaluable services in guiding the ADB during its formative years. Needless to say, in each of our countries, we see the imprint of the ADB in the transport and communications networks, in power generation, in water supplies and in industrial and agricultural development. It is obvious that the Bank has made tremendous strides in fulfilling the objectives for which it was founded eight years ago.

In particular, I would like to commend the Bank, for its initiative in establishing the Asian Development Fund—a Fund designed to enable the Bank to undertake concessional lending to countries on a significant scale. We will realise the magnitude of the challenge in bringing to the teeming millions in Asia hope and, more important, tolerable decency and comfort. The paradoxical situation and indeed the inequity of poverty amidst such plentiful resources as in Asia must not be permitted to continue for much longer. Governments of the region must therefore endeavour to make real efforts to formulate bold and imaginative plan to rectify this paradox.

At the same time, they must be assisted by international and regional institutions, as it is beyond the ordinary capacity of many Governments to mount such an effort. The human and financial resources to plan and implement the vital programmes are often in critical short supply; while the ability of a number of countries to service any sizeable external debt is also severely constrained. A strategy of development assistance which combines concessionary lending, grants of technical assistance for projects and training is, therefore, one of high priority for these countries. The ADB, being a regional institution and with several years of experience, is in the best position to undertake such a role. The establishment of the Asian Development Fund, is, therefore, a positive and a welcome step in enabling the Bank to fulfill this important role.

I would like to express our appreciation to the fourteen developed member countries of the Bank for pledging contributions amounting to US\$525 million towards this Fund up to 1976. Admittedly, this is a far cry from what the Fund would need to make a visible impact considering the overall requirements of member nations. But it is a good start, and one which can be built upon as programme commitments grow. We do hope that the developed countries will become increasingly convinced of the value of dedicating at least a small fraction of the increments in their national incomes to this Fund. It is also desirable that the contributions to this Fund should be in united resources. This would be entirely consistent with the Official Development Assistance targets under the U.N.'s Second Development Decade. The satisfaction of being able to alleviate the poverty, malnutrition and poor health of millions of fellow human beings, besides the promise of increased trade and investments, must itself be sufficient recompense for their efforts.

Ladies and Gentlemen.

The ADB has been operational for more than six years now and I believe that the time has come for the Bank to operate much more fully as a Development Bank. As a regional institution, the Bank needs to address itself to the full perspective of the development problems and needs of the region. On this basis, a new Design for Development Assistance by the Bank must be urgently formulated.

A design:

- * which recognizes poverty, the inequitable distribution of income and opportunity, unemployment and low levels of living and nutrition as the challenges of development in the region which require priority attention;
- * which enables countries to cope with instability in their export earnings, basically from primary commodities, so that planning can proceed on an orderly and confident footing;
- * which strengthens production and raises productivity in food and materials, to overcome recurring shortages;
- * which facilitates the emergency of intra-regional and sub-regional links and cohesion; and
- * which responds quickly and imaginatively to bottlenecks in planning and implementation in developing countries.

It is desirable that we should telescope time in our efforts to resolve the problems of poverty and social injustice prevailing in our respective countries.

The establishment of the Asian Development Fund and the strengthening of the Technical Assistance and Training sections within the Bank are steps very much in the right direction in such a Design for Development Assistance.

However, this larger perspective, within which the operations of the Bank need to be set, requires more than concessionary finance and project-related Technical Assistance. A Development Bank approach, which helps in the development process and responds effectively to the priority objectives of developing nations themselves, obviously will need operational guidelines and lending criteria which differ markedly from the purely commercial

approach. The focus of activities and loans will have to be sharpened considerably to channel assistance to priority areas of attention within the member countries.

Ladies and Gentlemen.

I need not stress that social development and programmes designed to bring about equal opportunities among our peoples are admittedly new areas for lending operations anywhere; but they are, nevertheless, vital goals for progress in the developing countries. The Bank must necessarily show a strong commitment to these objectives and a degree of flexibility in the appraisal of projects which do not meet normal financial criteria. Many of the priority projects aimed towards social development and equity objectives would, in themselves, be fully viable from the standpoint of normal evaluation criteria, but there would be a good many cases where the benefits are indirect and the pay-off period particularly long. But, from the point-view of real improvements to the quality of life and life opportunities for the chronically disadvantaged and the poor—that is, the benefits in terms of enhancing the resilience of society, satisfying pressing social needs and promoting equality of opportunity—they are of the highest priority to national Governments and the international community. In short, the Bank would have to look much beyond the boundaries of pure economics and finance in the evaluation of these projects.

And, as time is the essence, it should always be able to respond in a timely manner to the emerging needs of developing countries in this region. I am convinced that national Governments and international agencies will increasingly be judged by the extent to which they respond positively to such needs.

Indeed, if a broader and more flexible approach to lending were taken, I would think that the profile of the Bank's lending and activities would look significantly different from those of today. Lending for infrastructure development would continue on a large scale, but education and health as well as related projects such as development of smallholder agriculture, livestock development, fisheries and the like would loom large in the activities of the Bank.

Added to this perspective of increasing need, is the problem of inflation, the shortage of materials and the energy crisis. This

phenomenon demonstrates in a very stark manner the great interdependence of nations, large and small, in the world economy. Many countries, which for long enjoyed a remarkable degree of price stability, are now faced with spectre of inflation.

We in Malaysia too have been affected. Inflation in the industrialised countries, on which we depend for imports, world shortages of food, fuel, fiber and vital materials and international monetary instability have all led to severe price increases, which have imposed yet another strain on developing countries. Continuing rise in import costs will further deteriorate the balance of payment for the developing world. The strength and outcome of the development effort are in jeopardy of being substantially eroded, if no assistance is given to national governments in their fight against inflation. Shortages of food and materials appear to be occurring with increasing frequency and the inherent crisis are a nightmarish experience for the countries exposed to them. The poorer countries exposed to the fortunes of the world market can ill-afford the devastating repercussions.

Ladies and Gentlemen.

As I said earlier, the Asian Development Bank is in the best position to render assistance in these circumstances. Assistance from the Bank, in conjunction with other specialised agencies, which helps to boost the capacity of member countries to produce these critical requirements of food, fertiliser, fuel and materials is clearly a matter of high priority. The ADB can and must assist member countries in making significant breakthroughs in this regard.

With regard to energy resources, there is urgent need for technical and capital assistance in implementing effective national policies focussing on the development, use and conservation of energy. Similar assistance in the orderly exploitation of the rich natural resources of forestry and minerals is another high priority area.

This adds a new dimension to the Design for Development Assistance. It would go a long way to fulfill the priority needs of our developing world. Equally important, I think, is that these efforts will help substantially in resolving the problem of poverty and instability afflicting us and improve our capability to plan and implement economic programmes in an orderly and consistent manner.

The objective in all this is to bring to our peoples significant improvement in their standard of living so that they can enjoy their rightful place in the world community. This is the goal to which the ADB, and other international agencies—a goal in which we in the developing world are deeply committed. Let us, therefore, get on urgently with the definition of this new Design for Development Assistance and putting this Design into operation.

Mr Chairman, Ladies and Gentlemen, it has been a privilege for me to share these thoughts with you all here today. For us in Malaysia, it is a real pleasure to have you all with us even though for a brief period. I do hope that you will have a fruitful and enjoyable stay in our country.

It now gives me a real pleasure and privilege to declare this meeting open and to wish you all a successful and fruitful conference.