

FRANCE*
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I should like first of all to express my warmest thanks to the Hawaiian authorities, to the United States government, and to the staff of the Asian Development Bank (ADB) for the impeccable organization of this 34th Annual Meeting, in an island whose name more readily conjures up images of leisure than of hard work.

France welcomes the decision of two further European states, Portugal and Luxembourg, to join this institution.

This is the first annual meeting since the replenishment of the resources of the Asian Development Fund, which was finally concluded at a high level, an achievement in which France takes great satisfaction. The past year, notably through the deliberations on a long-term strategy, has been an occasion to assess the efforts accomplished by this financial institution in the fight against poverty in Asia and to measure the distance that still has to be covered before the ambitious development objectives set by the international community for 2015 become a reality, especially in South Asia, where India contains more than one third of the world's poor.

Two requirements are needed if these objectives are to be attained: priorities for action have to be clearly ranked and the effectiveness of aid improved.

First Point: The international financial institutions have to take action to promote shared and lasting growth that preserves human development and natural resources.

To take the social sectors, first of all. Although Asia's recovery has been relatively brisk and rapid, it would probably have been able to return to growth even faster and less painfully if social safety nets for the poorest members of society had been in place. Moreover, since this recovery has been driven principally by exports, the slowdown in world growth points to the need to introduce mechanisms capable of sustaining households' confidence through various forms of social protection. Inasmuch as it permits the redistribution of the fruits of growth, social expenditure, often the first victim of any crisis (even in middle-income countries), has to be "ring-fenced."

In order to encourage the introduction of social safety nets, ADB must step up the financial commitment of both its lending windows to the social sector.

France greets with considerable interest the proposal to differentiate the terms of nonconcessional lending. ADB is proposing that we examine this possibility for countries having limited access to this window for operations concerned with combating poverty. However, it would be useful to take the analysis further and no doubt partly to reexamine it in order to see whether the criteria that have been chosen are relevant, administratively feasible, transparent and indisputable for the beneficiaries, and applicable by comparison with alternative solutions as projects in the social sector. And it

goes without saying that the experiment can only be launched if this adjustment in the terms of lending conditions does not harm ADB's financial situation.

Moreover, the adoption of a performance-based allocation system for the concessional window in terms of governance is a decisive stage in the use of resources in favor of countries having a viable economic and financial framework. To make this system effective and to enable it to provide an incentive for sound management, it will be necessary to ensure its perfect transparency and certainly also that progress made by the beneficiary countries is rapidly rewarded.

Turning next to financial stability, both international and regional, this is an essential factor for the regulation of growth and therefore has to be strengthened still further. While this goes beyond the scope of our discussions, I should like, first of all, to recall the support given by France to the Chiang Mai Initiative. The lessons from past experience of economic and monetary integration in the European Union prompt me to encourage increased economic dialogue as well as the intensification of the process of surveillance between the highly integrated economies in ASEAN+3, providing a form of mutual support between highly-developed and less-developed economies, large and small countries. However, I should like to stress my country's attachment to the principle that this process be harmoniously incorporated within the institutional framework constituted by the Bretton Woods institutions and supplement that framework. Given the international nature of capital movements, only the worldwide framework provided by the International Monetary Fund (IMF) is in my view capable of offering a solution to the prevention and handling of financial crises. The mechanism in the Chiang Mai Initiative seems to me to be particularly welcome in this respect since it does indeed supplement existing international facilities, notably those of the IMF.

I should like to place particular emphasis on the risk posed by the volatility associated with capital flight to noncooperative countries and territories and tax havens. France regards it as one of the international financial institutions' priorities to ensure respect for international codes and standards such as those formulated by the FATF or the Financial Stability Forum, at the time of the definition of country strategies and the introduction of the performance-based allocation system. The situation has to be examined positively and cooperation must be developed with the FATF to help the countries involved rejoin the international financial community. ADB's credibility also requires its participation in the fight against money laundering in Asia and the Pacific.

The financial and social sectors will benefit in coming months from the support provided by the second phase of the ASEM Trust Fund agreed by the Asian and European countries at the last Kobe summit. Even though this trust fund is in practice based in the World Bank, I should like to see its activities made fully consistent with those of ADB. And, indeed, how could it be otherwise when many of us meet around both these tables and when the sectors and countries where intervention takes place are identical?

Finally, ADB must pursue its efforts in matters of regional surveillance and peer

pressure. Its action in this field to date is remarkable, both through its Asian Recovery Information Center (ARIC) Internet site and its regular publications on country economic situations, acting as a driving force for integration within the region.

Protection of the environment, one of the keys to lasting development, must continue to be encouraged. The fight against pollution, and enhanced respect for natural resources and their sustainable exploitation are needed for the preservation of the capital of the Asian economies. Since 1992, ADB has carried out a proactive policy in favor of the reduction of emissions of greenhouse gases, the development of renewable energy, and water management. I should like to say, on behalf of the Governor I represent here today, how positive I find this action. The collaboration of ADB with the Global Environment Fund, given formal expression this year in a memorandum of understanding, ought to be developed still further. This is the right path to take. The work to be carried out should certainly lead to evaluating the actual impact of the projects implemented in favor of the diminution of emissions of greenhouse gases.

Second Point: To improve the effectiveness of aid, discussions aimed at the modernization of the ADB must be guided by shareholders and rapidly given operational effect.

ADB's long-term strategic framework for the next 15 years is constituted by an internal work program drawn up by ADB's senior Management. I believe that it is now time for the Governors to examine the future. I should therefore like to propose certain guidelines for the application of a medium-term action plan to strengthen the effectiveness of aid.

First of all, coordination and collaboration with the various actors in the development process must be a constant underlying principle of the action undertaken. The memorandum of understanding between the World Bank staff and that of ADB, which is now being formalized, must identify existing complementarities and exploit these to the full. I should like to see this framework become not merely a matter of principle but also an operational reality. In this respect, it would be desirable to include among its provisions the harmonization of financial terms, conditionalities, and tender procedures. The creation within ADB of a unit to ensure liaison with nongovernment organizations is in my view very positive and reminds us of the need for collaboration in the definition of development strategies with all those directly involved and, in particular, with civil society.

Second, ADB must strengthen its internal governance: this is crucial to improve the impact of the policies carried out. The Development Effectiveness Committee of the Board of Directors that has recently been set up must not stint its efforts in making proposals for better aid. ADB could take advantage of its creation to issue an annual report, notably to the Governors, on development effectiveness, combined with such proposals as it thinks fit.

ADB's budget is a major document and the processes by which it is drawn up and endorsed need to be improved. In this respect, I believe it is important that the budget be more of a concrete expression of the political choices made by ADB's shareholders. A good way of achieving this is annual examination of alternative scenarios, systematically setting out the possible options and their operational consequences. Similarly, the three-year rolling program exercise would benefit from being strengthened in order to play its forward-looking role to the full.

Finally, ADB's financial situation is its principal advantage in maintaining lasting activity. Implementation of policies implies on the part of a bank keeping a close watch on the optimization of its resources and their financial management. While one can only congratulate the institution on the rapid restoration of its financial ratios, France remains mindful of the fact that its duty of solidarity in favor of the poorest members of society could not be expressed in the allocation of part of the net income to the Asian Development Fund or the Technical Assistance Special Fund. This situation requires a far-reaching examination not only of ADB's resources and its borrowing and lending policies, but also of the terms applied to all these instruments and of its risk management.

ADB's refocusing on poverty reduction now has to be put into practice. ADB can count on French support in this ambitious but essential task.

* Statement delivered in French. Translation supplied by the delegation.