

**FRANCE****AMBROISE FAYOLLE, Head of Delegation**

This year's meeting takes place in Shanghai, a model of modern values, development, and economic momentum. I would like to thank very warmly authorities of the People's Republic of China for their exceptional welcome.

The citizens in our countries are more than ever aware of the precarious existence of many inhabitants of the developing countries. However, we also know how difficult it is for the international community to blaze a trail to strong, sustainable, and universally beneficial global growth.

I would like today to share with you three strong beliefs. First, I believe that Asia will remain a development model if it manages to control several critical changes. Secondly, I believe that the efficiency of official development assistance is most easy to upgrade in this continent. Lastly, I am convinced that we will only be able to reach the poverty reduction objectives fixed at the millennium summit if we find ways to achieve equitable, controlled, and sustainable development.

Asia as a Development Model

Since last year's meeting in Honolulu, the American continent has been violently shaken by the terrorist attacks on the United States, whose political, economic, and no doubt, geostrategic consequences have yet to be fully gauged. The emerging markets and the developing countries have been directly hit by a global economic shock triggered by slowing world growth and precipitated by the September 11 events.

Although a higher selectivity of the markets limited the effects of the spreading of the Argentine crisis, East Asian countries, whose growth remains highly dependant on exports, have nevertheless suffered because of a worldwide lower demand for electronic products. Japan's weak growth also influences the recovery in this area and reduces the support these countries could give to developing countries.

In such a context, we consider that the growth reached by Asian countries last year is a very good point. It shows the great efforts of these countries to reduce their vulnerability, especially through a better debt management strategy, through more flexible foreign currency policies, and through better structural reforms. We also

welcome the strengthening of a regional approach, especially for financial and monetary concentration and particularly in the frame of ASEM + 3. Even though the vulnerability of East Asian countries has decreased, it remains important. In such a context, structural reforms have to go on, especially through better practices in the nonfinancial private sector and in the diversification of exports, geographically and structurally speaking. The growing support from the international financial community, especially the Paris Club, to Pakistan and Indonesia, and the signs of a world economic recovery are opportunities for Asian countries to accelerate the pace of reforms. Moreover, the accession of the People's Republic of China to the World Trade Organization should boost reforms in Asian countries and make the whole area economically more attractive.

My country wishes to maintain dialogue and solidarity with the Asian continent through bilateral actions, through the European Union, and of course, through the Asian Development Bank (ADB).

We Can Work Together to Make Assistance More Efficient

The Monterrey conference provided our governments with a unique opportunity to recognize the sharp decrease in official development assistance that occurred in recent years. In line with the milestone decisions taken by us at this summit, we will provide the developing countries with at least \$13 billion in additional assistance to 2006. I believe that this will help restore confidence and dialogue. A legitimate concern of the developing countries about the volume of our assistance has weakened to some extent. France plans to raise assistance from 0.32% of national wealth in 2000 to 0.36% in 2002.

Nevertheless, we can only achieve more by improving the quality of our assistance. The idea is not so much to overhaul everything from the bottom up as to adopt a pragmatic approach. ADB must be the driving force behind the search for and especially the implementation of a few simple principles that in my opinion will boost the impact of the assistance flows currently in the pipeline.

In my opinion, it is essential for

- the lenders to harmonize their procedures,
- the governments of the beneficiary countries to implement best practices, and
- use of ADB as a tool to implement best practices in the beneficiary countries. Because the amount of loans that financial institution like ADB can issue is necessarily limited considering the huge needs, the real added value will come from our ability to build structures helping, beyond our loans, to optimize the efficiency of our actions.

Such progress also requires nonstop efforts to improve the governance of the institutions in charge of aid management.

During the three years in office of the French executive director representing the countries in our constituency on ADB's Board, we have been able to appreciate the excellent dialogue and reflective capacity of ADB in this respect.

Lastly, lenders must be perfectly coordinated if assistance is to be efficient. Coordination does not mean uniformity or subordination. But coordination does mean factoring in what other institutions are doing in related spheres to avoid overlap and as necessary to carry out complementary actions. We will probably all need to work more on this point, whether in Paris, Washington, or Manila, let alone at the local level in each of the Asian countries where ADB is active.

We Will Have to Pursue the Objective of Sustainable Development in Asia

We have already taken concrete steps in the fight against climatic changes. The biggest step was taken at the Kyoto conference here in Asia and further measures were adopted in Bonn and Marrakech. These fundamental agreements have a structural impact for both the developing countries and the industrialized world. They must now be ratified. This has been done in Europe and I want everyone to join us.

Beyond this, we need to implement the principles we have agreed to. The Johannesburg summit scheduled in August will provide a unique occasion to examine what has been achieved and what remains to be accomplished. As you know, France pays special attention to these issues. Although there should be a number of questions, I believe they can be reduced to the following three points: the progress we can realistically make to improve environmental quality in both the north and south, private sector involvement in environmental programs, and solidarity mechanisms between the north and the south. In my opinion, the Monterrey conference contributed many solidarity solutions, on which we can build.

Involvement of our entrepreneurs seems essential, and ADB is the right instrument to succeed in this respect, especially for the private management of public services (water and electricity). For instance, the water industry seems to be a key area in which we must intelligently convince investors to take an interest in the countries of the south. Experience has shown how extraordinarily effective concrete projects in this sector can be to reduce poverty at a microeconomic level. We must obviously be pragmatic instead of dogmatic. Solutions based exclusively on public sector control do not work and absorb scarce resources, while solutions limited to private sector control fail to make water universally available over the long term.

We must also meet specific needs, especially in financing matters. In this respect, our institutions must help to build new approaches. This example shows the effort required from the entire economic community to give everyone access to the global public goods necessary for the sustainable development of our planet.

The structure of the financial systems, like international and regional financial stability are other key elements of economic growth. Our institutions must help to gradually implement efficient tools needed by borrowers to drain local savings and get

access to international markets. This is a key factor for growth and stability that must be strengthened.

Today, I also particularly want to point out the risk inherent in the volatility generated by financial markets engaged in money laundering or permitting the financing of terrorism. France considers it an absolute priority of the international financial institutions to make sure country strategies comply with international codes and standards such as those laid down by the international Financial Action Task Force and the Financial Stability Forum.

We urge ADB to more actively fight money laundering in Asia and the Pacific. Dirty money is first and foremost the payoff for bribery and the profit generated by the exploitation of human beings. And it is the money terrorist attacks can be financed with.

Together with us, ADB is committed to gather its strength to fight poverty. Reducing poverty means building a fairer society in which people, regardless of their social or family background, have a little better control over their destiny. I know how much everyone at ADB is dedicated to this aim, and I want to use this opportunity to thank them as well.