

## BELGIUM

### RENE LEGRAND, Head of Delegation

I wish to convey the apologies of Minister Reynders who had to cancel his attendance at the very last minute due to domestic political contingencies despite of his personal interest in the Institution and in the Host country.

I seize this opportunity to reiterate the deepest condolences of Belgium to the populations victim of the Tsunami and their authorities. I sincerely hope that reconstruction will speed up and that the population will be back as soon as possible on the path of development and prosperity. Thanks to its dynamism the region as shown at several occasions in the past an impressive resilience in front of a variety of serious unfortunate events. It will be the case once more. As far as it is concerned, in parallel with the preparation of the approval by the Parliament of its contribution to ADF-9, Belgium is envisaging to contribute to the Tsunami Fund recently created by the Bank to participate to the reconstruction efforts of the countries struck by this disaster.

During the recent months, true to a model developed during the preceding decades which achieves poverty reduction through growth and employment, Asia is pursuing its impressive economic growth. This growth cannot avoid to raise serious legitimate worries in front of the challenges and opportunities it generates, worries which arise to a large extent from the demographic weight of the region in the world and from the fact that no economist could testify to have ever observed an economic phenomenon of such a magnitude. When two countries representing 40% of the world population enjoy an annual growth of at least 5%, the resulting demand is unprecedented and inevitably provokes economic imbalances at international scale. The most visible aspect of those tensions can be observed on the markets of several products – energy, raw materials, intermediate goods and even in some services such as maritime transport. This even contributes to raise questions on the sustainability of the production and consumption patterns and habits of each of us. It is hence desirable to carefully analyze the implications of this to provide suitable and timely answers to the problems it will generate. Sustainable growth is more than ever on the agenda, since after all, we just have one planet and we would need several ones to pursue on this path.

I will not insist here on those issues which are treated in other for a where corrective measures are prepared and discussed. I wish to limit myself to highlight the impact of such a growth on the activities of the Bank whose volume of resources will remain modest in many respects in front of events of this magnitudes. Despite the variety of growing needs generated by this growth the Bank will have to constantly redefine its role in the high growth countries of the region.

In those countries it will not be a mere issue of providing long term resources at a reasonable cost but to manage growth, which means managing its “negative externalities” and see to it that the available resources, wherever they come from, domestic or foreign, be optimally allocated. In this respect, the latest Development Committee has reminded the essential role of good governance, key to a modern, efficient and transparent management of the economy and of public services and the guarantee of an efficient and equitable distribution of resources for development. The international financial institutions – the IFIs – have a major role to fulfill in the implementation and dissemination of good governance. One important aspect is to consolidate the economic and social results of the recent past. A few years ago, the financial crisis showed that the progress made could be wiped out in very little time. It is therefore advisable to take advantage of this period of prosperity to improve what

has to be improved and, in particular to correct the imbalances developing within the societies and communities: rise of inequalities, exclusion from the benefits of growth, lack of progress in several social issues such as health, child mortality and education of the girls. What is needed is not so much ambitious initiatives and reforms of a large scope but rather financing the multiple activities at lower levels where one finds most often the obstacles and impediments to a satisfactory functioning of the institutions.

To this priority of investing in good governance, I would add another one: the most visible externality of the strong growth of the region is its impact on environment and the worries it is raising. The Bank has to assist the authorities of the member countries in limiting this impact. The initiatives of the international community in this field have often been perceived as attempts to raise obstacles against the development of the regional countries through the multiplication of constraints related to new investments. A partial answer to this problem has been to allow the use of local criteria. It is therefore from now on at the level of national policies and of their implementation that the assistance of IFI has to be focused: improving the capacity of the local agencies in the analysis of the impact of activities and in the design of mitigation measures.

Unfortunately the flattering situation of the countries at the forefront of economic news is not shared by the other countries of the region whose features and evolution are more diverse. The assistance to central Asia remains a challenge. In the sub-region several countries enjoy an increase of the export prices of their commodities while in others the transition process is lagging due to lack of appropriate resources. In the former ones the overall economic indicators do not reflect the real evolution of the countries and of their social situation. The promotion of good governance has to aim at promoting sound public finance management as well as at improving the absorptive and institutional capacity of the local authorities. This would allow them to improve their performance and to be allocated their fair volume of multilateral assistance, particularly of ADF-9 resources. Another priority for those countries is the speeding up of their transition and the introduction of a legal and regulatory framework allowing the development of a real market economy. In the spirit of the harmonization among IFIs, a task sharing among those operating in the sub-region has to be observed.

In South-East Asia there is a need to assist the countries of the sub-region to manage the risks of a possible inversion of the positive factors which enabled them to show good performance in the recent months: adverse evolution of the exchange rates, of the interest rates, of the price of oil and of the USD, a slow down of growth and its impact on their export prices.

Mister President, turning to the Bank itself, Belgium is delighted to have heard from you during the inaugural session that the reform process initiated by your predecessor will be pursued, in particular in the fields of incorporating the MDG in the national programs, of selectivity in operations, of decentralization and in result-oriented management.

I began my speech by alluding to a model specific to the region which allowed to achieve remarkable progress in poverty reduction thanks to a sustained growth. In 2004, the Development Committee has to a certain extent taken note of this and has restored through its recommendations the need to balance the priority of social initiatives and the one of promoting growth and in particular the investment in infrastructure. This is precisely in those latter fields that the Bank has always enjoyed a reputation of excellence. However, in other fields it has sometimes raised criticisms. We are therefore delighted that the recent and forthcoming initiatives aim at correcting this imbalance. But the Bank will achieve tangible results in this only if the countries themselves are committed to improve their social indicators.

Mister President, we have no doubt about the capacity of the Bank to keep under your leadership thanks to its results in the field the highest regards it enjoys from its member countries.