

**THE NETHERLANDS****GERRIT ZALM, Governor**

It is both a pleasure and an honour to address the Board of Governors of the ADB. I thank the Government of Turkey for hosting the Annual Meeting in this beautiful city.

There is hardly a location more fitting than Istanbul for a European to address the ADB. Throughout the centuries the name of the city has changed several times, but its function has remained the same: a gateway between Europe and Asia. To illustrate the significance of this gateway: the tulip, one of the most recognisable symbols of the Netherlands, was brought to us by Turkish merchants.

This year, in which we welcome the new leadership of President Kuroda and look forward to the second Medium Term Strategy, provides an excellent opportunity for reflection. What are the main challenges that the region is facing? And is the ADB ready to effectively assist its developing member countries in dealing with these challenges?

I will focus on three topics: reforms at the Bank, the need for selectivity and private sector development. But before going into these issues, I would like to express my deepest condolences to the people whose lives were devastated by the tsunami disaster and commend the ADB for its swift response and continued engagement in the countries affected. I urge the Bank to continue working in close cooperation with other development partners.

These days, the Asia and Pacific Region is the most dynamic area in the world. With its current economic growth rates, it by far outperforms the world economy and doubles its economic weight every ten years. It is important to note that intraregional trade has become one of the main engines of growth. In order to maximize the benefits and to mitigate the risks of further economic integration, it will need to be accompanied by various forms of regional cooperation. As the region's family friend, I believe that the ADB is well positioned to act as a knowledgeable advisor and powerful catalyst for healthy integration and fruitful cooperation.

Despite its impressive economic growth performance, we cannot ignore the fact that still more than half of the world's poor are living in Asia and for many countries meeting all MDGs will be a challenge. This requires an effective and focused ADB that delivers tangible development results. The Bank has the financial means to expand, but needs to reform its methods. For instance, there remains ample scope to reduce transaction costs, shorten delivery times, introduce innovative and more relevant lending modalities, raise the level of sector expertise and increase its effectiveness in terms of poverty reduction. I encourage ADB, as well as its shareholders, to take actively part in the UN summit in September to agree on additional efforts to achieve the MDGs by 2015.

The Netherlands strongly welcomes the fact that the Bank has actively taken up this challenge by engaging in a broad range of reforms, notably through the Reform Agenda, the Innovation and Efficiency Initiative and the Middle Income Country Partnership Framework. Effective implementation is needed. Proper sequencing, coherence and a strong analytical underpinning of individual reforms are necessary for optimal results. This will also strengthen staff ownership of these reforms. Putting in practice the Human Resource Strategy, with an

emphasis on transparency and accountability, and the strengthening of the knowledge base are prerequisites as well.

For the medium term, I believe that more is needed. Mr. President, I believe that your strong leadership is necessary to strengthen the strategic focus of the Bank at the institutional level through the second Medium Term Strategy. This operational selectivity at the Bank level would complement the necessary selectivity at the country level as defined in the Country Strategy and Program. An increased focus on its comparative strengths, together with close partnerships with other development partners, will ensure that the Bank can bring more added value to its clients. To support this focus, a reorientation of the organisation will be necessary.

Progress in all these areas will further ADB's development impact, while at the same time increase the demand for its products. This will reconfirm the Bank's relevance in the region. In my view, such changes could prepare the ground for ADB to expand its assistance significantly to result in a positive net resource flow to its clients.

A prominent feature of such an expansion should be private sector development. This relates to both direct support to the private sector with a focus on development impact and assisting countries in improving the investment climate. There are two specific points I would like to make.

First, close cooperation between the different actors involved, both within and outside the ADB, is crucial to find synergy and ensure development effectiveness. Second, given the rapid increase of the private sector portfolio in recent years, it is important that the ADB follows best practices in its risk management. I would therefore encourage the Bank to undertake an independent assessment regarding the risk management of the Private Sector Operations Department in general and the optimal location of the Credit Risk Unit in particular.

In conclusion, we are looking for a more effective and clearly focused Bank that delivers concrete development results. This will automatically make it a more relevant partner in the region. Difficult? Yes. Impossible? No, it is a challenge. But I am fully confident that under the competent leadership of President Kuroda, the Bank will be able to live up to this challenge. It is my sincere hope that this will result in the ADB flourishing as beautifully as the tulip still does.

Thank you!