

**NEW ZEALAND****JOHN WHITEHEAD, Head of Delegation****Introduction**

Fellow governors and delegates, let me begin by extending New Zealand's appreciation to our hosts, the Government of Turkey, to the new ADB President, and to other ADB staff for the excellent arrangements for this meeting. I would like to take this opportunity to wish President Kuroda all the best in his new role and we are sure that he will continue and build on the good work of his predecessor.

Last year ended on a tragic note. The Government and people of New Zealand were deeply saddened by the events of 26 December 2004. Let me again convey our condolences and prayers to all the countries that suffered the loss of lives and livelihoods.

The rebuilding phase will be long and difficult. New Zealand's official response to the relief and reconstruction efforts was our largest ever. New Zealand was among a number of countries actively offering assistance since the earliest days of the tragedy, and we remain committed to doing what we can to support the efforts of our friends in the region over the long term. Like others, we were pleased to see the rapid response of the ADB itself. The effort in response to the Tsunami provides a lesson for us all on how the international community can work together well and mobilise significant amounts of resources and expertise when necessary.

This year holds special significance as the international community takes stock of progress towards the Millennium Development Goals (MDGs), ten years out from our target date of 2015. The New Zealand Government strongly supports the Asian Development Bank's work in support of the MDGs. The Bank's overriding goal of reducing poverty in Asia and the Pacific, through pro-poor sustainable economic growth, social development and good governance, remains as important as ever.

The Asian Development Fund (ADF) has an important role to play in this regard. New Zealand is pleased to be a participant and contributor to the ADF – this valuably supplements our routine representation and interaction with the Bank. The ADF 9 replenishment negotiations, which concluded in record time last year, set a number of benchmarks for replenishments in other International Financial Institutions. We congratulate the ADB for its responsiveness and management of the process. The challenge, as always, is implementation and we look forward to working with the ADB in support of this.

Pacific

The 2005 Asian Development Outlook is forecasting remarkably robust economic growth in the region over the next few years. South and East Asia are projected to grow at between 6 and 7% annually while Central Asia is expected to grow at around 9%. In contrast, economic growth amongst Pacific Developing Members is expected to be only 2% which hardly keeps pace with population growth. There are many challenges facing the small island states and some of those are serious and immediate. How the ADB and other donors help the Pacific nations face these challenges and tap into the dynamism of the wider region is very important. New Zealand takes a special interest in development in the Pacific and as acknowledged in the Millennium Project report earlier this year, the Pacific is at serious risk of falling short against many of the MDGs. The Bank is an important player in the region and a valuable source of expert knowledge and technical assistance which help build capabilities.

We urge the Bank to remain vigilant about ensuring that its engagements with small state partners in the Pacific are appropriately tailored to their unique needs and acute capacity constraints. As highlighted at the recent High Level Dialogue on Aid Effectiveness in Paris, aid is most effective when processes are genuinely country-led and owned.

New Zealand is encouraged by the Bank's willingness to support existing regional processes as evidenced by its analytical work on the "Pacific Plan" for increased regional integration. New Zealand has a significant interest in efforts being coordinated by the Pacific Island Forum Secretariat both to explore opportunities for increased regionalism and to encourage specific initiatives where benefits can be generated by pooling scarce resources. We welcome the ADB's work in this area. We support its dialogue with Forsec in Suva and with other donors so that useful ADB analytical work on prospects for regional cooperation complements and adds value to Pacific Plan initiatives being developed by Forum Leaders. We strongly encourage the ADB to take fully into account other regional processes and coordination efforts, including, for example, in education, health and HIV/AIDS, and disaster planning/preparedness.

The opening of the new ADB office in Suva and the finalisation of the new Pacific Strategy were highlights over the past year. We strongly urge the Bank to allocate sufficient resources to its Pacific operations. We would like to see the ADB focus its Pacific efforts primarily on maintaining an effective presence within the region in Suva.

New Zealand considers that unsustainable levels of debt make it more difficult for developing countries to reduce poverty and suffering among their people. New Zealand has supported international efforts to make poor country debt levels sustainable. Debt levels in the Pacific are a growing concern. New Zealand supports the new World Bank/IMF Debt Sustainability Framework, and is keen to ensure that the ADB's approach to debt sustainability is aligned with the new framework, and that debt sustainability concerns, particularly in the Pacific, are monitored closely. We would like to see the grant allocation element of ADF 9 fully utilised in the Pacific. This is because even concessional loans can be a burden if they are not clearly linked to an outcome that increases economic activity in the long term, and thus enable repayment of the investment.

Governance

We congratulate the ADB on the progress it has made in recent years on improving internal governance. Former President Chino oversaw important internal reforms and we welcome the intentions as expressed strongly by President Kuroda in his speech yesterday to continue and extend these.

We welcome the Bank's strong financial position, which has been reported to Governors at this Annual Meeting. However, we remain concerned about the continuing trend of declining Ordinary Capital Resources (OCR) income and the subsequent reduction in net income largely as a result of prepayments. The Bank needs to be creative in addressing this position.

One governance issue which New Zealand takes very seriously is the "bunching" of loan approvals at the end of each financial year. We note, for example, that out of the US\$5.3 billion in new lending in 2004, US\$1.1 billion was approved in one meeting alone. We consider that this raises potentially serious issues regarding the quality of decision-making and accountability. While this type of issue is one that many organisations and governments, including my own, grapple with, we feel strongly that steps need to be taken by the ADB to address this problem.

We acknowledge the new ADB human resources strategy introduced last year. We encourage the ADB to continue the process of modernising its human resources policies and practices to better promote the concepts of equity, including gender, merit-based promotion and appointment, and transparency. The ADB should set high standards for itself, and demonstrate these principles in the implementation of its programmes.

Conclusion

In conclusion, and on behalf of my New Zealand authorities, New Zealand values highly its partnership and engagement with the Asian Development Bank. We look forward to continuing to work together. I wish to extend to President Kuroda, the management and staff of the Asian Development Bank, our appreciation for their efforts and our best wishes for the year ahead.