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FRANCE

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Allow me, like my predecessors, to start by thanking the Indian authorities for their warm welcome, with a special thought for all the people who were hit by the tsunami just over a year ago. I would also like to congratulate Armenia and Brunei Darrusalam for joining the Bank.

Despite the unprecedented tsunami disaster, Asian countries continued to expand at a brisk pace in 2005, and that growth is still the key driver of the global economy. Asia has displayed outstanding resilience to negative shocks, be they avian influenza, the end of the multifibre arrangements, or the steep rise in oil prices.

Some of these shocks will persist in 2006. The oil price is likely to remain high or to head further upwards, while macroeconomic imbalances will continue to widen. Moreover, we must not overlook the possibility of a slide into protectionism and an increase in bilateral trade agreements.

France believes that multilateral dialogue on all these questions is vital. Issues that are truly global can be addressed only through institutions with global reach. Often, however, regional action can play a decisive role, provided it is consistent with guidelines set at the international level. That is why this institution, which has brought us here today, is so valuable. Let me illustrate my point in two ways.

On environmental and energy-related issues, Mr President, we welcome ADB's decision to launch an initiative aimed at carbon markets, building on the World Bank's clean energy investment framework. Our institution should be a pioneer in the field of energy—our second most activity-intensive area—without waiting for everybody to take action under the Kyoto Protocol. Otherwise, it will be too late.

Regional integration is another example. As a member of the European Union, France is well aware of its merits. With this in mind, we have always strongly encouraged projects such as the Greater Mekong Subregion initiative. The monetary cooperation initiated at Chiang Mai is also contributing to that goal.

That said, the imbalances continue to worsen, reminding us that efforts to coordinate economic policies hinge on broader cooperation. On this point, monetary cooperation in Asia, which the Bank actively supports, must be complementary to the actions of the IMF. Meanwhile, the latter needs to ensure that regional arrangements for pooling reserves are properly linked to the key issue of global financial stability. It is of course equally vital that



Asia be fairly represented in that institution. This is what France aims to achieve in September in Singapore through a realistic and pragmatic compromise on quotas.

Regional cooperation is indispensable and therefore requires a specific strategy from ADB. Nevertheless, the main challenge facing our institution is obviously to reduce poverty and reach the Millennium Development Goals. This must remain its top priority and the core of its mandate.

On this point, let me go back briefly to France's position on the second medium-term strategy (MTS II) discussed recently by the Bank's board. We sometimes felt that the link between MTS II and the goal of poverty reduction was too tenuous. We would also have preferred a more ambitious strategy for governance and a clearer road map for private sector activity. However, we do not disagree with the priorities that have been put forward, which, moreover, we have often endorsed in the past.

Our doubts were mainly to do with the way that MTS II was prepared and the concrete arrangements for implementing it. A strategy that sets no precise objectives for the staff can easily become a purely formal exercise with no real operational impacts. France truly hopes that, bearing this in mind, we will manage to finalise MTS II and, looking further ahead, we will succeed in establishing together the Bank's post-2008 priorities, taking into account the Asian Development Fund agenda. We would also like the management team around the President be fully empowered and accountable for the design and the implementation of this strategy.

I would like to finish by addressing an issue that we feel is essential and in which ADB and all the countries present here today have a key role to play, namely adapting the methods for financing developing countries to the achievement of the Millennium Development Goals.

The first necessity, naturally, is to increase aid flows and make them easier to forecast. The launching of a pilot International Finance Facility (IFF) for immunization is contributing to that effort, as well as the setting-up of a solidarity charge on airline tickets. Fifteen other countries, including Republic of Korea, will shortly introduce a similar levy. In Asia, countries such as Bangladesh, Cambodia, and India are working with us on innovative financing mechanisms. Let me take this opportunity to encourage other countries to do likewise and to jointly build an international drug purchase facility.

At the same time, it is vital that all lenders, multilateral and bilateral alike, coordinate their policies more closely to avoid a fresh cycle of unsustainable debt. Failing this, the multilateral debt cancellations voted last year will have been pointless, and the political support for financing development assistance will be lastingly undermined.