



# 39<sup>TH</sup> ANNUAL MEETING BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

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**GS-43**

## **THE NETHERLANDS**

**Gerard Steeghs**, Head of Delegation

I would like to express my gratitude to the Government of India for hosting its Annual Meeting in this most charming city.

Hyderabad is indeed an excellent location to address ADB issues. It is unique for its rich historical sites but also for its very modern outlook. This emerging IT and biotech hub of India can rightly serve as a symbol of India's, but also Asia's, ongoing dynamic transformation.

The Asia 2015 conference reaffirmed the remarkable successes of this region, both in terms of economic growth and poverty alleviation. However, the joint chairs of the conference also concluded that Asia's rapid growth may not automatically continue and that sustainable economic growth is a necessary but not sufficient condition for eradicating extreme poverty. Despite an impressive average GDP growth of 7.4%, gains have been uneven within and across Asian countries. Too many marginalized groups are still unable to share substantially in the benefits of economic growth and trade liberalization. It pays for the economy as a whole to include vulnerable groups and involve them in an economically productive way. Meeting the Millennium Development Goals in 2015 will benefit us all.

### **Medium Term Strategy II**

ADB has already started to address its own recent strategic transformation. In the previous year, several measures were taken to raise ADB's relevance and responsiveness. We warmly welcome the innovation and efficiency initiative and support the creation of the Independent Risk Assessment Unit. We also recognize the first, essential steps taken toward greater strategic focus and selectivity as laid down in the new medium-term strategy.

However, clear focus and selectivity can only be implemented successfully if the strategic prioritization is accompanied by a commensurate shift of resources: a shift toward those sectors in which ADB has a clear comparative advantage. I propose that such resource implications be addressed in a business plan for the MTS II, to be approved by the Board.

Several lessons can be drawn from recent strategy discussions, particularly the debate on the MTS II. First of all, in order to guarantee ownership and consensus among all stakeholders both within and outside the Bank, it is very important to develop key strategies through a fully consultative and participatory process. Second, strategies like the MTS II *have* to be supported by strong leadership from management – if not, they become paper tigers. For this we need clearly defined accountability, also at the most senior management levels, and sufficient attention to day-to-day business processes. Lastly, the mutual interaction between Management and the Board on key strategic issues needs to improve in



order to further strengthen the governance structure of ADB and the ownership of all its shareholders.

To be clear: the Netherlands supports the new priorities contained in the MTS II. These new priorities, however, have to demonstrably contribute to the chief objective of ADB – poverty reduction. Increased development effectiveness and the instruments to measure this are of crucial importance. Only then can ADB contribute to economic growth that includes those at the bottom of the pyramid.

Real transformation of ADB will have to be accompanied by a major change in management culture. A strategy of change, coupled with a commitment to management for development results (MfDR) is needed.

ADB is first and foremost a development institution. As such it is a regional player within the global development architecture that has to serve us in attaining the Millennium Development Goals (MDGs). Its comparative advantage is first of all promoting sustainable economic development, with a guarantee of quality and effectiveness. The Netherlands will assess the usefulness of its presence in the ADB against these criteria.

### **Lending Policy**

We welcome ADB's proposals to align its Asian Development Fund (ADF) grants framework with that of the fourteenth replenishment of the International Development Association (IDA 14). We are convinced that the use of the debt sustainability framework should become the main instrument for all development partners to prevent unsustainable debt burdens and encourage prudent use of external finance. ADB's overarching objectives of poverty reduction and sustainable economic development are still very relevant. It must ensure that all groups are heard and respond to the needs of all its clients: middle income and low income countries. We strongly welcome the increased dialogue with ordinary capital resources (OCR) borrowers and look forward to discussing specific proposals to strengthen their partnership with the ADB.

### **Infrastructure and Environment**

We support ADB's continued focus on infrastructure development, particularly with regard to energy, rural infrastructure, and water. We encourage ADB's involvement in the environment. This type of infrastructure investment is also important for low-income countries. The recently proposed "Investment framework for clean energy and sustainable development" is mainly directed at larger middle-income countries. However, lack of access to energy is an acute problem in many low-income countries. This is why the Netherlands Minister for Development Cooperation, Agnes van Ardenne, proposed in last month's Development Committee, an "Energy for All" initiative, focusing on sustainable use of wood fuel and cook stoves, access to electricity and energy for social services or economic purposes. Regional development banks have a role to play in this framework. In addition to ADB's recent carbon market initiative, which we welcome, we would like to invite the ADB to sign up to the 'Energy for All Initiative'.

### **Private Sector Development**

In the area of private sector development, strengthening the business climate is of the essence. Closer collaboration between the private and public sector arms of the Bank remains necessary where direct lending operations of the Bank are concerned. Moreover, rather than the size of the ADB portfolio, it is the development impact and value-added of private sector operations that matter most.

## **Regional Cooperation and Integration**

ADB has a natural role to play as a knowledgeable advisor and powerful catalyst for regional cooperation and integration. It will soon present a coherent framework for regional cooperation. Maintaining focus and selectivity is a precondition for effective implementation, as is a clear vision on how such a framework can contribute to poverty reduction. Perhaps one of the most important contributions could be in the area of regional public goods. ADB is ideally placed to play a role in matchmaking as well as in pointing out the need for cooperation.

## **Governance**

We welcome the inclusion of governance and anti-corruption measures as a new ADB priority issue. As a cross-cutting issue, governance must apply to all ADB activities. ADB's goal should be to eliminate corruption. Fighting corruption requires a systematic approach with regard to capacity building. A decrease in the administrative burden can also contribute. Anti-corruption measures deserve to be a core priority of all country strategy and program documents. Establishment of a clear accountability framework is necessary to ensure effective implementation of commitments.

In conclusion, I would like to underline that ADB continues to be an essential partner that contributes to further economic and social development in the region. It is a partner that effectively demonstrates the value-added of its corporate mandate in the Asia and Pacific region, ensuring that all groups are heard and responding to the needs of all its clients.