

BELGIUM

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I wish to thank the Spanish authorities for inviting us to this magnificent city of Madrid, and the Spanish people for their warm hospitality.

The negotiations for the ninth replenishment of the Asian Development Fund (ADF X) were completed just before our meeting. The end result is satisfactory. The major part of the resources mobilized were, however, internal ones and the performance of several recipients in poverty reduction deserved more generous contributions. Several major recipient countries of the region still face endemic absolute poverty, particularly when considering that, according to the Organisation of Economic Co-operation and Development (OECD), official development assistance has dropped to 0.28% of gross national income. Beside the issue of financing, donors have also attached to their report an action plan aimed at finalizing a reform agenda started 4 years ago. Some of these have become urgent and are essential for the smooth implementation of ADF X. We urge Management to stick to this action plan.

Another point worth mentioning in those times of financial turbulence is that the ADF recently adopted special drawing rights (SDR) as unit of account. Considering the impact of the exchange rates on the lending headroom of ADB and on the salaries of expatriate professional staff, it would be useful to study whether SDR should not become the unit of account of the Asian Development Bank (ADB).

Belgium welcomes the forthcoming review of ADB's capital resources. The increase in the lending capacity of ADB seems a logical outcome of the vision of the region shared with us by the Eminent Persons Group in 2007 on what the region would look like in a decade. The key question arising from this vision is the relevance of ADB assistance, which in our view is not only a matter of agenda but also a matter of the volume of financing. We know very well that people react to incentives and, in particular, to financial incentives. In this respect, we learned recently from ADB that its commitment capacity might drop significantly in the coming months and even be brought back to the level of a decade ago, in sharp contrast to the tremendous increase of the size of the economies of several of its borrowing members. This would make it difficult to pursue a meaningful policy dialogue, to have a chance to see our priorities taken into account, or to see our standards complied with.

With regard to standards, Belgium is concerned by the weakening of the social and environmental standards in the review of the safeguard policies initiated recently. Belgium considers that one of the values that a development bank can add is strengthening such standards and enabling the executing agencies to make them current practice. An update of these safeguard policies which would be satisfactory to all parties concerned—shareholders, stakeholders, partners—and which would stand comparison with those of other international

financial institutions (IFIs) should be a prerequisite to a capital increase. Finally, if a capital increase is proved necessary, it would also be advisable to design solutions that require no contributions, which we think is possible, before envisaging a contribution from shareholders which should in any case be kept as low as possible.

Others may argue that there are trillions of dollars “in the market” ready to be invested provided the business environment and the legal, regulatory and governance frameworks are satisfactory. This would be too good to be true. Almost 90% of private investments still target the same half-dozen countries and within those countries, the same areas and sectors. Present uncertainties should reinforce this trend. One cannot, therefore, take it for granted that those resources would be invested where they are the most relevant to our agenda. On the other hand, most of the initiatives implemented by the IFIs for decades to use their resources as a catalyst or to leverage private investors have shown mixed results, to say the least. Finally, the lending practices from the market, in particular the loan maturities, would not be appropriate for the type of projects we pursue.

Another good reason for a capital increase is that we shareholders are regularly asking the IFIs and ADB in particular to add new and costly priorities in their agenda. We had hardly started to request action against climate change when we were forced to talk about the looming food crisis. Last week, the ADF deputies expressed concern about this issue and endorsed in the donors report the proposals of management on the role of ADB in this issue. Let me emphasize that a key issue in increasing supply is to pay much more attention than in the past to the 1.3 billion small farmers in the world struggling to survive. They have been neglected to focus on meeting the demands of urban populations for imported food. I would also add that, sadly, ADB has dropped agriculture from its core activities in Strategy 2020. This choice brings me to repeat once more that, for Belgium, selectivity should not be decided *ex ante* on the basis of sectors but country-by-country on the basis of a policy dialogue with the authorities of each borrower.

ADB recently finalized its long term strategic framework 2008-2020. Belgium supports the three pillars of the framework but one of them, regional integration, calls for some comments. The negotiations of ADF X briefly touched upon this theme, mainly to justify earmarking of resources for it. Most of us are, of course, in favor of regional integration, but some of us remain to be convinced that the approach is adequate. Looking at the pipeline, one sees various pieces of different puzzles instead of elements of a coherent and broader vision. Asia needs to develop a much more systematic approach, as the European Union (EU) did with its transEuropean networks. Although Asia is less integrated than Europe, such an approach can be initiated at the level of subregional associations such as the Association of Southeast Asian Nations (ASEAN) or the Commonwealth of Independent States (CIS). The EU has drafted a broad long-term plan that has subsequently been endorsed by the authorities of the member states. It identified bottlenecks preventing goods, services, information and people from circulating smoothly and listed in a “white book” priority projects aimed at alleviating them. The final objective is to boost overall regional growth by efficiency gains. Sectoral plans have been designed in transport, telecommunications and information technology, and energy. Today, each project submitted for approval includes a reference to this white book and its rationale and relevance is no longer questioned. ADB could invite its member countries to replicate this and support it with its regional technical assistance program.

To conclude, Belgium has always had the highest regard for ADB and its achievements. We firmly believe that ADB will finalize the reforms it has been invited to make so it can remain a key channel of development assistance for its regional member countries.