



NEW ZEALAND

TREVOR COLIN MALLARD, Governor ad Interim

Fellow governors and delegates, let me begin by thanking the Republic of Korea for inviting us to Jeju Island. I extend my thanks to Korea and to the Asian Development Bank (ADB) for the excellent arrangements for this meeting.

The New Zealand Government supports ADB's overriding goal of reducing poverty in Asia and the Pacific, through pro-poor sustainable economic growth, social development and good governance. New Zealand also supports ADB's work to develop private-sector capability and investment, address environmental issues, and strengthen the effectiveness of its operations.

New Zealand is currently chairing the Pacific Forum, which has recently undergone a review of its role and focus by an eminent person's group from the region. At a meeting held in New Zealand last month, leaders from 16 Pacific Nations endorsed a new vision for the Pacific based on the belief that the region "can, should, and will be a region of peace, harmony, security, and economic prosperity."

In particular, we are pleased to see ADB move ahead with its revised Pacific Strategy, and that it is consulting widely on the strategy, including with civil society. Increasingly it has been our experience that the quality of the consultation is reflected in the quality of the strategy outcomes. ADB's work shows an understanding of the national, cultural, and ethnic differences that exist between individual countries in the Pacific in relation to the sustainable and independent development of the region. It will be important that the new strategy builds on the lessons learnt from the current strategy. We look forward to contributing to the Strategy.

In New Zealand in June, Economic Ministers from around the Pacific and in fact many of the Governors of this constituency will gather to share experiences at the annual Forum Economic Ministers Meeting. High on the agenda will be considering a response to the recent endorsement by Pacific Leaders of the development of a "Pacific Plan" which would assess options for deeper and broader regional cooperation.

New Zealand takes a particular interest in the development needs of its neighbours in the Pacific. ADB is a valuable source of expert knowledge and technical assistance which help build capabilities in the region. This work is very important; it can occur at a bilateral level, but is incomplete without the resources offered by specialist organisations such as ADB. That said, many Pacific administrations face acute capacity constraints, and it is incumbent on all donors to work in a simplified, targeted, and harmonised way. Assistance offered must not overburden partners with excessive and unnecessary transaction costs. We look forward to further discussions about ways to

improve the effectiveness of aid at the FEMM and associated donor/partner meetings in New Zealand in June.

ADB is to open its sub-regional office in Suva, Fiji next month. We believe ADB's presence in the Pacific is a concrete indication of its commitment to and engagement in the region. We believe that the establishment of this office will greatly enhance ADB's understanding of the Pacific, and that this understanding could not be gained from residing in a developed country. There remains, however, an issue that is whether it is necessary and prudent following the establishment of the Suva office to open yet another office in the region or whether it would be better to wait, assess the success of the Suva office before making such a move.

We would like to congratulate President Tadao Chino on his on-going commitment to internal governance issues.

We also encourage ADB to introduce new people to its senior management. Innovation in management is as important as innovation in development. ADB has a pool of talented people, and we believe that diversity from other organisations will strengthen ADB.

ADB has a solid financial profile. However this strength belies, and to some extent is caused by, the shrinking ordinary capital resources (OCR) loan portfolio and the subsequent reduction in net income. ADB has conservative financial policies, which have brought strength to its balance sheet, and maintained its AAA rating. But the fall in net income and the extent of prepayments has both important messages and implications for ADB. The messages relate to the conservative approach, and there is a need to look seriously and urgently at its OCR loan products. ADB should return with urgency to benchmarking its pricing, and transaction overheads, with other international financial institutions (IFIs), with the open market, and with partner needs uppermost in mind.

Each year we welcome new members to ADB. New members generally contribute to concessionary lending funds and offer various benefits to ADB and other members. However, it is difficult to categorise some new developing member countries as being in Asia. It is a sensitive topic, but one that impacts on ADB's focus and resources. Where does a growing membership take ADB? I would like to see it in a strong, relevant, and strategic position, but I think we need to be clear about the comparative advantages held by ADB, and the ways in which it is strengthened and/or has additional demands placed on it by new members. My concern does not relate to any one member; New Zealand supports applications from new members. However, we believe that there needs to be more discussion on what new members mean for ADB and its work to meet the objectives in its Charter.

We welcome the conclusion of the eighth replenishment for the Asian Development Fund (ADF). In particular, we welcome the greater emphasis on country ownership, strengthened results management, and development effectiveness. The

proposed enhancements to the Performance-Based Allocation are positive, and we strongly support the moves towards full disclosure. Further, important revisions have been agreed for special circumstances such as post-conflict situations.

We are also pleased to see a consensus has emerged on the controversial issue of grants, though we remain somewhat concerned about the impact of grants on the long-term financial integrity of the ADF. New Zealand supports a principled approach to the use of grants that incorporates a strong country focus and debt sustainability considerations.

In conclusion, and on behalf of my New Zealand authorities, New Zealand is a firm proponent of economic, social, and environmentally sustainable development, and I wish to extend to President Tadao Chino, and the management and staff of ADB, our appreciation of their efforts in these areas.