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Rene Legrand, Temporary Alternate Governor

I wish to thank the Indian authorities for inviting us and the people of Hyderabad for their hospitality.

I would also like to take this opportunity to reiterate the deepest condolences of Belgium to the victims of the earthquake in Pakistan. Belgium regrets that this disaster did not raise the same level of compassion and solidarity as the tsunami. The responsiveness of ADB in such circumstances was even more appreciated. However setting up dedicated funds for each disaster striking the region should not become the ready-made answer. We would prefer that a policy for emergencies be adopted where eligibility criteria to use the bank resources would be clearly defined. The Millennium Development Goals (MDGs) are better fitted for reconstruction than for emergency assistance (for which there are many specialized agencies).

In recent months, Asia has maintained the same impressive economic growth and remained the main contributor to global poverty reduction. However, many of those who escaped absolute poverty are not substantially beyond its threshold. Serious questions remain ahead about the challenges and opportunities this growth generates. The issue of ecologically sustainable growth is even higher on the agenda since the meeting in Montreal. ADB's innovative carbon market initiative is therefore warmly welcome. Most of its features are very attractive and Belgium wishes it complete success. Many similar initiatives will be required to deal with the greenhouse effect and climate change. Nevertheless, this is an encouraging first step and we look forward to seeing replicated on a much larger scale.

I will not insist here on the various shortcomings noted by others in the second medium-term strategy (MTS II). Belgium shares many of those views. That being said, with more or less \$2 dollars per capita per year that it lends, the Bank will always remain quite modest in most respects compared with the challenges facing the region. Remaining relevant before this daunting task is quite a challenge. Belgium therefore welcomes a few features of the MTS II. We appreciated, for example, the wish to withdraw from some activities and to identify a core business and focus on it, taking into account the fact that others are better fitted to act in several fields. We wish other multilateral development banks (MDBs) would also sort out their activities. Piling up requests and priorities over the years cannot be avoided easily and can be a perverse effect of a country focus. Since each client has specific needs, nothing can be excluded from the eligible things to do. This leads to a policy broad enough to encompass anything an MDB would be requested to do. We therefore anticipate with interest how this selectivity will work in practice.

Overall, we also appreciate the intense efforts made over the recent months in the field of strategies and policies and action plans. However, this is putting ADB under stress because it represents intense work in itself, at the same time as efforts to improve operations on the



ground. Both are equally important and there is a limit to what one can do with a zero-growth budget; therefore one should be careful not to neglect one for the other and be reasonable in one's expectations. Much attention has to be given to the design of the action plan to implement the MTS, by taking account of the resource constraints of the institution.

ADB should focus on the finalization of ongoing reviews of its existing policies, on the implementation of its reform agenda and on managing change effectively to increase its development effectiveness. The reform agenda is particularly important in the context of Asian Development Fund (ADF) IX. ADB should be more committed in particular to managing for development results and to improving the following areas: harmonization, development of partnerships, measurement of results, monitoring and evaluation, internal governance, and management systems. In particular, there should be more involvement of vice presidents and managers in decision making, without having everything going up to the top. ADB should be encouraging a culture of dialogue, exchange, participation and transparency, which should improve the morale of the employees at all levels and their performance.

The various initiatives to deal with the specific requirements of the middle-income countries are welcome. In such countries, providing long-term resources at a reasonable cost has to give way to assistance to manage growth, and in particular its "negative externalities". To use the fashionable jargon, "value added" has to be identified through enhanced dialogue, since value added is specific to each client and operation. Financing many activities at lower levels, where one finds most often the obstacles and impediments to the satisfactory functioning of the institutions, is where one can get much development impact. However, this does not require large loans and does not confer as much visibility as a new airport or the modernization of the stock exchange. A war is prepared by the artillery but is still won by the infantry. Technical assistance is the infantry of the MDBs. There has been a multiplication of technical assistance in recent years. This is to a large extent due to the change in the nature of the business of MDBs. Their number has grown to an extent where one wonders how such an impressive portfolio can be managed. Some selectivity should also be introduced in the allocation of resources, and also a refocusing towards activities where one can most likely get value added.

In 2004, the Development Committee recognized the need to balance the priorities of social initiatives and promotion of growth, and in particular investment in infrastructure. ADB took care to bring infrastructure to the forefront. However, similar institutions also underlined the lack of adequate infrastructure due to a lack of investment. This sudden awareness will fuel competition for resources and, for this reason, it would be high time to see projects get off the ground. In this competition, Asia, or at least some parts of it, is well placed to attract investors. One should not expect miracles, since all MDBs are small in relative terms and (similar problems, similar answers) they will once more invent similar mechanisms to be "catalytic". One should not forget that private money is in short supply too, that it has its own pets, that it expects a return. In the meantime there will still be regions, always the same, where the need is even more urgent and which are overlooked by private investors. Therefore we invite ADB to apply the argument of being "catalytic" with utmost care and to shy away from highly profitable mega-ventures and to focus on projects with the most developmental value.