



## **FRANCE**

**Christophe Morchoine**, Head of Delegation

Mr. Chairman of the Board of Governors,  
President Nakao,  
Honorable Governors,  
Distinguished guests,

1. First let me thank the host country for welcoming us in Nadi for this 52nd Annual Meeting of the Asian Development Bank (ADB). Let me extend my deep appreciation to the Fijian people for its warm hospitality. I know how symbolic it is to meet here in Fiji, in a region highly exposed to global warming and climate change.

2. In this regard, we commend ADB for spearheading the implementation of the Paris Agreement in the Asia-Pacific region. It is much welcomed that an ambitious target of making 75% of commitments climate-relevant by 2030 has been adopted in Strategy 2030. It will allow to combine \$80 billion for green finance over the period. ADB must build on this momentum to further support renewables and help phase out fossil fuel energies. The review of ADB's energy policy starting this year will be an important milestone. ADB must increase its efforts towards adaptation projects to construct climate-proof infrastructures that are more resilient to natural disasters. ADB must strive to protect biodiversity and contribute to address marine pollution too. We also welcome the main priorities set out in Strategy 2030, consistent with the Sustainable Development Goals. It is paramount for ADB to address remaining poverty and the issue of growing inequality, achieve gender equality and improve governance.

3. To live up to these objectives, in a fast-evolving environment, we urgently need to modernize our instruments through three sets of reforms: pricing, Asian Development Fund (ADF) and private resources mobilization.

4. First, we must review ADB's loan charges to provide Developing Member Countries (DMCs) with a fair and efficient funding and better finance knowledge. While economic divergences are widening between countries in the region, flat pricing is no longer fit-for-purpose. It is high time we designed and implemented differentiated pricing. This reform will allow to better adjust our products to financial capacities of DMCs. It will enable to channel more resources to the poorer and more fragile and vulnerable countries. For emerging economies, it will pave the way to graduation, which must be the ultimate objective of recipient countries and Multilateral Development Banks (MDBs). Equally important, ADB's loan charges stand out from its peers' as abnormally low. In our view, the current pricing does not allow the Bank to provide enough capacity building to DMCs, nor enough innovation to the more advanced borrowers that are in search of sophisticated solutions. ADB must adjust its loan charges upwards to remain relevant and maintain a level playing field among MDBs. The supplementary resources would be used to fund more technical assistance and in-house knowledge, another key objective of Strategy 2030. We welcome the work initiated by Management and look forward to a breakthrough this year.

5. Second, the rapid economic expansion of the Asia-Pacific region is a call to collectively rethink the direction we want to give to ADF. The number of grant-eligible countries has been constantly decreasing. In only a few years, apart from temporary special assistance, ADF will exclusively cater for a small number of small states. Therefore, the need for a dedicated grant instrument for the Asia-Pacific will fade. Donors will remember that the spirit of the merger, approved in 2016, was that ADB's net income would progressively take over ADF's funding. As ADF is set to grow smaller, an adequate review of ADB's loan charges would allow to achieve that objective through the period covered by Strategy 2030. This medium-term plan should be thought through now, as we are opening the discussion on ADF 13 by the end of this year.

6. Third, we must strengthen further our ability to leverage on private co-financing and maximize the catalyst role of public resources. Public institutions cannot keep pace with the economic growth of the largest economies and fill financing gaps by themselves. ADB must play a catalyst role in crowding-in private flows from commercial banks and institutional investors, who manage tremendous amount of savings and seek portfolio diversification, financial return but also, increasingly, a sense of purpose in their investment. ADB must continue to help develop local financial markets and diversify its lending currencies. ADB will also play an increasing role in supporting directly the private sector, as a financier, when market inefficiency makes a case for spending public money. While ADB has already embarked on such a path, set out in Strategy 2030, the ongoing preparation of a corporate strategy for the Private Sector Operations Department is a crucial step. We expect this dedicated strategy to elaborate on the mandate, the financial model and the institutional setup, as well as on how to measure development impact and set, accordingly, a risk-return profile.

7. These reforms will place ADB on a better footing to implement the international agenda alongside its peer institutions, who work as a system and face challenges that have to be addressed, in essence, through multilateralism. We wish to put emphasis on financial integrity and debt.

ADB must strive to support sound governance, as a prerequisite for the success of many development programs and eventually of the countries themselves. This consists in a continuum of interrelated issues: mobilization of domestic resources, healthy public finance, effective public procurement and expenditure, and the fight against illicit financial flows and corruption. This can be achieved through a continued cooperation with the international instances in charge, such as the Global Forum on Transparency and Exchange of Information for Tax Purposes or the Financial Action Task Force, and more technical assistance dedicated to these priorities.

As indebtedness is building up and global uncertainties are on the rise, ADB has a critical role to play to preserve debt sustainability, in financing economically viable projects where expected returns can provide for debt servicing, and in helping DMCs to manage their public finance. As stated by the Group of Twenty, a strong coordination between MDBs and the IMF is essential to achieve global financial stability. We also encourage ADB, as an observer, and ADB members to work closely with the Paris Club on these issues.

8. On a final note, we wish to commend the excellent partnership between ADB and AFD, the French Agency for Development, a relationship that has been flourishing for more than 20 years. The new co-financing agreement signed this year reflects our common commitment to the Asia-Pacific region, in combining \$5 billion from the two institutions in the next three years, including

some targeted initiatives in the urban sector. We are proud to be one of ADB's prominent bilateral partner and, more than ever, convinced that cooperation will always be the key for success.

Mister President, Honorable Governors, thank you for your attention.