



LUXEMBOURG

Arsène Jacoby, Alternate Governor

We extend our warm expression of gratitude to the Fijian government and the people of Viti Levu for hosting the Annual Meeting on this beautiful island. Three years ago, Fiji was hit by Cyclone Winston and people have ever since been suffering from its devastating outcome. We express our deepest sympathies to those affected and stand united in Fiji's recovery.

This tragedy shows that climate change is not some distant and abstract threat but happening right now. Fiji and other Pacific islands are already threatened by rising sea levels, flooding, and contamination of freshwater supplies. But not only small island developing states are affected. Throughout Asia and the world, low-income countries are hit hardest by the soaring costs of climate-related disasters. Of the 10 countries worldwide with the highest estimated disaster risk, seven are ADB DMCs. Strategy 2030 targets that by 2030 75% of ADB operations will be supporting climate change mitigation and adaptation. We congratulate ADB for setting this ambitious target.

Mobilizing private and institutional investors is crucial for responding to climate change, maintaining growth and ultimately eradicating poverty. Based on ADB's estimates, Asia and the Pacific will need to invest close to \$2 trillion per year for infrastructure in the upcoming decade. The target of Strategy 2030 of private sector operations reaching one-third of ADB operations in number by 2024 is an important step in attracting more private finance. ADB needs to focus on an innovative and proactive plan on public-private partnership and risk mitigation for investors. All these measures will help to attract funds, stimulate private sector activities, and create a market there, where it is lacking.

Sustainable finance is gaining momentum. Environmental, social and governance factors are becoming an important element for a growing number of investors. However, with sustainable finance being a vague and broad term, there is an increasing risk of "greenwashing" investment opportunities. To limit this risk, clear definitions and global standards are required. Luxembourg, with its financial center being a key player in sustainable finance, is on the forefront of establishing coherent principles. It is the first country to create a legal framework for strict standards in the area of green bonds and actively supports the European Commission in setting out rules for more a sustainable financial system. LuxFlag, the Luxembourgish agency that certifies investment products in terms of sustainability, is internationally recognized and its certifications are regarded as high-quality awards. The Luxembourg Green Exchange lists over 50% of the world's green bonds and is well positioned to become the standard bearer that leads the green and sustainable finance industry of the future. It is set up as a platform where investors can be certain that what they are buying is really a green bond, obliging its issuers to provide full documentation, both before and after issuance. By improving the transparency of environmental, social and governance factors, true sustainable economic growth and reduction of poverty is happening. In this sense we encourage ADB to emphasize in all its operations the sustainability of its outcome.

Financial inclusion continues to be strikingly low in many of our member countries. In Southeast Asia for example, less than 30% of the people have a bank account, and a recent ADB study of four Southeast Asian markets shows that only 18% of adults use a bank account to receive wages or pay utility bills, and only 11% borrow from formal sources. All this leaves a huge gap in banking penetration, with millions of unbanked individuals. ADB's Financial Sector Development Partnership Special Fund is an important instrument for strengthening regional, subregional, and national financial systems through technical assistance. Policy and regulatory reforms are another critical element for addressing financial inclusion. In this sense, the Alliance for Financial Inclusion, supported by Luxembourg and collaborating with ADB on peer learning and knowledge sharing, is a great example for advancing the development and implementation of financial inclusion policies in developing and emerging economies. We encourage ADB to further deepen its existing partnership with this global player and are delighted about its continuous support of the Financial Sector trust fund.

Digital transformation brought many alternatives during the past decade and can be an important and growing factor for more financial inclusion. This is the reason why an important stake of Luxembourg's official development assistance is channeled through international financial institutions and international stakeholders to strengthen financial technology and digital financial services in developing countries. We believe that combined with our expertise in this fast-evolving area, this allows us to broaden the reach and multiply the effects of our contributions. As such, the Luxembourg House of Financial Technology, collaborating with the public and private sectors, and in general the support of the Luxembourg government for fintech subsectors such as blockchain and microfinance showcase the tremendous value financial technology innovations can bring in finding new ways for more financial inclusion. We encourage ADB to focus even stronger on financial technology and digital infrastructure.

We firmly believe that ADB has the ability to contribute to achieve these ambitious goals. Mr. Chairman, Mr. President, Distinguished Governors, let us work together to eradicate poverty and to support sustainable development in Asia and the Pacific. Thank you for your attention.