



**Manila**  
2018  
51<sup>st</sup> ADB ANNUAL MEETING  
3-6 MAY



## **BELGIUM**

**Ronald De Swert**, Temporary Alternate Governor

Mr. Chairman of the Board of Governors  
Mr. President of the Asian Development Bank  
Fellow Governors  
Ladies and Gentlemen

We thank the Philippine authorities for hosting our meeting.

The landscape in the Asian and Pacific Region is evolving rapidly and it is expected to remain the fastest economic growing region until 2030. Extreme poverty has been drastically reduced from 50% to 9% over the last 25 years, but remains high in absolute terms. More than 300 million people still live on less than 1.9 USD per day. Despite the impressive growth figures, poverty and fragility remain a big challenge going along with rising inequality in most DMC's. Considering the huge infrastructure needs, which are key to sustainable growth, it's important that ADB targets its scarce resources by a focused approach in the best possible way.

Against the background of the huge development needs in the region, it is important to build a more efficient and financially sustainable Bank through strengthening ADB's self-financing capacity and through more "organic growth" in the future.

Pricing differentiation can be a part of the strategy to generate more resources "organically". Belgium is in favour of pricing differentiation by product and/or instrument, rather than according to the client's income. For example, the fight against climate change would offer us the opportunity to apply a legitimate surcharge on transport projects, for the harm the project will do to the environment once in operation, without endangering the profitability of the project. Unlike charging more clients who have a choice of financing, this would generate a more important and more reliable income. Let us keep the dialogue on this open.

The gap between the challenges and the resources available is such that it is also timely to seriously deal with domestic resources mobilization, a priority since the 80's which received so far too little attention. One cannot close this gap without engaging in a policy to increase government revenue to fund the investments and, more particularly social expenditure which cannot be financed by public debt over the long run.

In 2018, the major task ahead is the design of a new Strategy for the next decade, ADB's Strategy 2030, including ambitious targets guiding the future of the Bank.

We welcome the improvements of the Draft Strategy 2030 with the latest version published. However, there is still room for improvements.

How ADB will walk the road to 2030 within this fast-changing continent needs to be set out clearly in the new Strategy 2030 Framework through a set of guidelines. We bear in mind that this Strategy is a roadmap to guide the Bank's future path and, this, without setting too many details resulting in an unimplementable framework. To be implementable the strategy should also be commensurate with the resources available: its relevance should also be quantitative. On the other hand, the Strategy must be clear enough with targets to be set forward. Therefore, we welcome the well-designed approach of the Strategy. We also welcome the integration of new technologies and the important role of ICT included in the Strategy and we are especially happy to see the insertion of the following concrete targets in the new Strategy:

On gender. Gender is key to inclusive growth and essential for fast poverty reduction, meeting the SDG's and better development outcomes. Therefore, we welcome that at least 50% of ADB's projects will promote gender equality by 2030.

On commercial co-financing, Belgium supports ADB's target to substantially increase its commercial co-financing by 2030, with every dollar in financing for its private sector operations matched by two dollars of long-term cofinancing from private sources.

On climate, building on its strong performance in integrating climate change mitigation and adaptation into project design, 75% of ADB's commitments will be made climate relevant by 2030, which is extremely ambitious. We are aware that a reduction in the consumption of fossil fuels will be a key parameter of success to COP21. We are also aware that with six billion dollars of annual commitments for climate-related operations the contribution of ADB will be somewhat modest, but well-chosen projects can have a strong demonstrational impact. In this regards we want to encourage ADB to define the indicator for measuring "climate relevant" projects. Clear criteria are needed to measure which amount can be considered as "climate adaptation" or "climate mitigation".

Next step to take in this regard is expanding renewable energy, as well as new technologies to respond to climate change. Our view is that ADB should focus rather on the more innovative and complex green technologies where the private sector is not yet strongly involved, like geothermal technologies and isolation of buildings with artificial intelligence for example. We found that the strategy stays cautious on renewable energies and silent on fossil fuels, without any commitment to revise ADB's outdated energy policy.

Belgium supports ADB's intent to continue to apply its current graduation policy and invites ADB to keep the discussion open with various stakeholders to further diversify the terms of ADB products and instruments. Although the bank's toolkit should be kept limited since too many instruments would only trigger further endless and useless discussions on the classification of each operation and on the classification criteria.

Belgium would like to see the new strategy better reflect what ADB can reasonably expect to achieve over the next decade considering the likely evolution of the DMCs and of its own resources, both human and financial. The current draft Strategy 2030 is still in its present shape a catch-all document with a lack of focus. ADB must remain a cost-effective lender and Belgium remains in favour of prioritizing fewer, bigger projects as well as projects which are shovel-ready or at least well advanced in their preparation in the middle and upper middle-income countries. Striving to be "all things to all people" is a noble endeavour, but unrealistic given the Bank's size and resources. Therefore, a wide list of subcategories derived from the SDGs without setting any target is unsatisfactory. A more realistic scenario has to prevail. Belgium considers that the bulk

of ADB activities must remain in large scale infrastructure and wholesale financing as well as in loans to local intermediaries for SME development which represent almost 90% of the economy and provide the bulk of jobs needed to reduce poverty. The European Investment Bank allocates almost 20% of its commitments to that activity for those very reasons. In addition, because all the other forms of fund raising for investment remain complex, costly, and used by a small minority, because they are most of the time a one-off custom-made solution, they bring diseconomies of scale due to the high cost of expertise and the little replicability of solutions.

Regarding ADF. The transfer of the assets of the Asian Development Fund to the Bank and the first replenishment of the new grants-only ADF was successfully concluded in 2016. Belgium invites ADB to provide more information on the role of the ADF in the future, in particular on its financing.

On the Private Sector Operations. Belgium is in favour of a strong focus on the private sector operations, which deserves a boost in our view. The Private Sector Department needs to be strengthened. We would like to see an elaboration on how PSOD will operate, which instruments it will use and how it can show a bigger risk appetite and stronger focus on frontier markets. Let us hope that the private sector department will be put in a position to increase its operations and the income prospects of the bank. We would like to raise your attention that the strategy doesn't commit to any concrete targets in this regard. Therefore, we would like to request for a clear PSOD strategy to be set out.

It would be timely and opportune to have a closer look on the advantages of spinning off the private sector department with specific rules and procedures, a more adequate location and a specific human resources policy, including salaries and benefits.

For all the above-mentioned reasons, the Strategy 2030 should not only focus on what ADB should do in the coming decade, but it should elaborate much more on how it will realize this.

To conclude, Mr. Chairman, Belgium keeps ADB achievements in highest regards and hopes it will successfully implement its internal reforms to remain the most efficient development partner of its donor member countries.