



UNITED STATES

BOBBY J. PITTMAN, Head of Delegation

It is an honor for me to be here in Istanbul for the 38th Annual Meeting of the Asian Development Bank, and I extend my deepest thanks to our Turkish hosts for their gracious arrangements. I would also like to congratulate and warmly welcome President Kuroda.

Recent Developments in Asian Economy

We meet at a time of great opportunity for East Asia. Growth rates in many East Asian economies are at their highest levels since the '97 crisis. And the number of poor in East Asia has declined at its most rapid pace since 1999. In this light, we believe there is no better time than the present to implement the critical structural reforms that are required to assure that the development record of this region is sustained in the future.

First, I urge countries to take advantage of this period of high growth to reduce their budget deficits, thus freeing up future resources for growth-enhancing investments including infrastructure. Second, it is critical for countries with a record of corruption and uneven application of regulatory burdens to strengthen their investment climate. Third, I note the importance of strengthening the financial sector and capital markets to improve the efficiency of financial intermediation, which has long been a bottleneck to growth and a systemic risk.

Finally, I want to stress the importance of increased exchange rate flexibility for large economies in the region. I want to be clear why we believe this is critical. This is important for the global economy – to ensure prompt and efficient transmission of price signals and to facilitate adjustments to international imbalances. It is also strongly in the interest of the economies themselves. This is because it enhances the ability of monetary authorities to focus on price stability and stable growth. It avoids the buildup of imbalances that can lead to abrupt adjustments.

Many economies in the region, such as the Republic of Korea and Thailand, have made notable progress in establishing credible monetary policy frameworks with inflation targets and more flexible regimes. Others, such as the People's Republic of China (PRC), have implemented important reforms to develop more liquid foreign exchange markets and instruments to manage foreign exchange risks. But macroeconomic imbalances in the PRC are rising, as is the risk of another boom/bust cycle that could adversely affect the region. The PRC is ready. It should move to a more flexible regime now.

The ADB has been a leading force in the region to help developing economies address these challenges. We welcome the ADB's critical role, particularly as the region has been coalescing around a core set of economic integration initiatives. We strongly support such regional financial initiatives, especially where there has been an urgent need to further develop and strengthen domestic financial markets – particularly domestic bond markets.

Economic Development Agenda of the United States

Let me now turn to broader, institutional matters. The ADF-9 replenishment agreement reached in May 2004 was a milestone for reform at the Bank. We are encouraged by the

prospects for change that would make the ADB a more transparent, responsive and results-oriented institution. It is our job as shareholders to hold the ADB accountable and to set a high standard for achievement. It is our task now to see that this ambitious reform agenda is implemented. I would like to use this opportunity to take a closer look at three critical elements of the Bank's reform agenda: implementation of measurable results; grants; and the effort to fight corruption and increase transparency.

Rigorous Measurable Results

Results measurement needs to be strengthened at all levels if we are to achieve the goals set out in ADF-9. This means establishing new mechanisms and strengthening existing practices. At the institutional level, we fully supported the launch of a new human resources policy in October 2004 and expect, before the end of this year, a new performance management system will be in place that rewards staff for achieving development outcomes. A Results Management Unit has been established to guide implementation of the results measurement agenda, and it is essential it become fully operational as soon as possible.

Unfortunately, detailed and quantified targets are not yet consistently found in all ADB project documents. We want to see higher standards for results measurement adopted at all levels of the Bank. This means quantified, timebound indicators in all projects and programs. We hope President Kuroda and ADB senior management will communicate the importance of this agenda to Bank staff and the broader public.

Increased Grant Assistance

Last year, the Bank agreed to devote 21 percent of ADF-9 assistance for grants in the region's poorest and most-vulnerable countries starting in 2005. We applaud ADB's leadership and foresight on this issue. However, we are concerned that only 2 grant projects amounting to \$38 million have been approved to date. This is less than 3 percent of the total grant envelope for ADF-9. We urge the Bank to accelerate efforts to identify and channel financing to grant projects. We should not delay in getting this assistance to the countries that need it most.

Fighting Corruption and Enhancing Transparency

In an environment of scarcity, every dollar lost to waste, fraud and misgovernance is a dollar not invested in poverty reduction and growth. ADB has already adopted some important anticorruption measures, including increased assistance for good governance, implementation of a more open disclosure policy, more corruption risk assessments in project and country papers, and a doubling of the number of procurement audits.

All of these elements are critical, but we believe much more can be done. We would like to see a more proactive and powerful role for ADB's Integrity Division. Whistleblower protections also need to be further strengthened to encourage staff to report allegations of fraud. ADB can establish an important deterrent by publishing the names of debarred firms and individuals and by automatically disqualifying those firms debarred by other financial institutions. At the project level, we would like to see a greater willingness to cancel loans where corruption is detected. We hope ADB will work with other MDBs to develop a set of tough, uniform anticorruption standards.

Responding to the Tsunami

ADB's remarkable response to the Asian Tsunami tragedy has shown the institution at its best. Over \$700 million in grants and loans have already been approved for India, Indonesia,

Sri Lanka and the Maldives. From the beginning, ADB worked closely with the World Bank, UNDP and other major donors to avoid duplication and improve aid efficiency.

We hope flexibility and pragmatism will continue to be the hallmark of ADB's tsunami assistance. The challenge now is not lack of funds, but ensuring effective coordination and rapid disbursement of assistance. Recipient countries and donors (including civil society organizations) must focus on measuring the results of reconstruction efforts and ensuring that assistance is used efficiently, transparently and accountably. Participants to ADB's March 18 tsunami conference agreed to develop a Tsunami Results Matrix to monitor results and track funds. We believe this is a critical tool that will demonstrate that real results are being made on the ground to help tsunami victims.

Conclusion

Over the last year, ADB has begun to translate the ideals of the last replenishment into concrete action. However, the proof of whether the ADB has become a better institution will be in the development impact felt on the ground. Results measurement will have become a reality when we can account for every donor dollar in terms of development outcomes achieved in poor countries. The United States will continue to engage closely with the ADB on this reform agenda to see it to successful completion.

Thank you.