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UNITED STATES

Kenneth Peel, Head of Delegation

I am honored to represent the United States at the 40th Annual Meeting of the Asian Development Bank (ADB). On behalf of Treasury Secretary Paulson, I would like to extend our gratitude to our gracious hosts – Japanese Finance Minister Omi and ADB's President Kuroda.

It is right that we are holding this 40th Annual Meeting in Kyoto, the magnificent historic capital of the country that has given so much to this vital institution.

First, allow me to express my deep gratitude for the commitment, expertise and hard work of ADB staff. I would particularly like to highlight their work on the economic revitalization and reconstruction of Afghanistan, on rapid and appropriate responses to natural disasters, the prevention and control of infectious diseases, assistance in the reform of local financial systems and capital markets, and assistance in combating money laundering and human trafficking. This gives us great confidence that they can meet the challenges ahead.

The challenges are considerable but they are challenges partly born in ADB's own accomplishments.

As we assemble here, Asian economies continue to record remarkable economic performance. This in turn is creating more economic opportunity and higher standards of living for more people, contributing to a significant reduction in poverty. Just between 1990 and 2004, poverty in East Asia declined from 29% to 8%. During the same period across the whole of the Asia and Pacific region, extreme poverty has dropped from 35% to 19%.

More and more countries in the region are not only on a path to graduating from concessional borrowing, but from multilateral development bank (MDB) borrowing altogether. Some are stepping confidently across the next threshold and joining the ranks of donor nations.

In addition, the strong growth and low inflation of the last few years have come with an emergence of global imbalances that need to be addressed so that rapid global growth can be sustained. Economic adjustment to improve global imbalances and encourage economic development is a shared responsibility. Asian economies have a critical role to play in global economic adjustment by pursuing greater exchange rate flexibility, strengthening domestic demand, and reforming the financial sector.

Despite the encouraging trends cited above, about half the world's most extreme poor still live in the region. The remarkable success of many countries sits alongside the continuing poverty of millions of people. These two parallel realities form the challenge we face in charting a strategic direction for ADB in the years ahead.

ADB faces some important questions. First, what is the continuing role for ADB in a region where many of its member countries enjoy the fruits of hard-won economic success, including ready access to private financial markets? Second, what can ADB continue to offer to middle-income countries, consistent with its core mission of economic growth and poverty reduction? Third, what are the key challenges facing the region's poorest countries, and what are ADB's comparative advantages in meeting those challenges? Fourth, how can ADB differentiate itself from other development partners, including the World Bank, in a manner that makes the most efficient use of its capital, accumulated expertise and human resources? And fifth, what is the appropriate role for ADB in fostering regional economic integration?

None of us can pretend that we have the answer to all of these questions today. But we will need the answers soon. As Asia continues its rapid development, ADB will face the most fundamental questions related to its first principles – not today, not next year, but certainly within the next decade or two. One way or another, ADB will become a different institution from the one that has served it so well in its first 40 years.

As we consider those challenges, it is useful to return to some of the first principles that inspired the founding of this and the other multilateral development banks. Their most basic mission was, and is, to leverage the resources of the international community for countries that lacked access to affordable private capital, to help create jobs, economic growth and higher living standards for some of the world's most desperate poor. This should still be the central organizing principle for ADB, and our decisions on ADB's future directions and priorities should flow from it.

This means we should celebrate when countries no longer need ADB to finance their development needs, not seek ways to artificially create incentives to lend to them. Instead, we should think of services ADB might continue to provide on a transitional basis.

It also means that ADB should focus on how it can best serve the poorer countries that continue to need its help. This means not trying to be all things to all countries, but instead identifying matches between ADB's demonstrated capabilities and the critical development needs of the region. ADB's private sector operations have demonstrated ADB's expertise and ability to mobilize significant co-financing. ADB should continue to support improvements in the region's investment climate and regulatory environment. At the same time, the ADB must ensure that its financing achieves development results, contributes genuine additionality, and catalyzes, rather than competes with, the private sector.

The United States also supports ADB's work in developing local bond markets. Strong capital markets require several key components: strong property rights, robust supervisory regimes with clear and transparent rules, sound accounting standards, strong corporate governance, objective financial analysis and research, meaningful disclosure regimes, and independent credit rating agencies. ADB can play an important role in fostering these practices and regulatory frameworks.

Modern, efficient, well-planned infrastructure is essential to private-sector-led growth. This is already a primary focus of ADB's work, and can become even more so. Public-private partnerships should be further developed to attract private investment in infrastructure.

Infrastructure, of course, has a strong regional integration component, which ADB is well placed to explore and develop.

While ADB may also specialize in other areas, it should identify and focus on a finite number of areas where it has a comparative advantage. It should remain steadfast to its original mandate as an economic development institution—not seek new mandates that stray from this mission. And when the private sector can take over—as it should, and as was always intended—ADB should step aside and declare victory.

In all of its work, of course, ADB needs to demonstrate accountability, transparency, and results. While progress has been made in these areas in recent years, more effort is required to achieve the kind of results-based management that is needed. The institutional structure and culture of ADB should reflect the requirements of the results agenda by embracing a new incentive structure that rewards staff for delivering development impacts, not for simply increasing lending volumes; it is quality, not quantity, that counts most.

ADB must also continue the fight for good governance. Much has been accomplished in attacking corruption in recent years through the implementation of the Governance and Anticorruption Action Plan. We urge ADB to continue this work by doing more to mainstream governance improvements, address the risks of corruption in its programs, and engage with borrowing countries. Such steps would include cross-debarment and published lists of disqualified firms.

These are surely profound – even daunting – questions about the purpose and structure of the ADB in the years ahead. But we must not shirk from our responsibility to address and answer them. We owe it to the people of the region, to our citizens at home, and to the hard-working staff of ADB. I look forward to tackling this challenge together.