



## **UNITED STATES**

**JOHN B. TAYLOR, Head of Delegation**

It is an honor for me to be here in Jeju Island for the 37th Annual Meeting of the Asian Development Bank (ADB), and I extend my deepest thanks to our Korean hosts for their gracious arrangements in this beautiful place. I would also like to welcome ADB's newest members, Luxembourg and Palau, to the meeting. I would like to congratulate donors and ADB management on the successful conclusion to the Asian Development Fund (ADF)-9 replenishment.

### **Economic Development Agenda of the United States**

Since the beginning of President Bush's time in office, he has stressed four core principles in United States (US) development policy. Financial assistance for the poorest countries should be increased. More assistance should be provided in the form of grants. Development assistance should be subject to rigorous measurable results. And support should be targeted to countries that pursue pro-growth policies.

### **Implementation at the Asian Development Bank**

At the international financial institutions, including ADB, we have worked together with many other countries to implement these principles. And we are very pleased that this cooperative effort has been a success at ADB. Over the past several years, ADB has demonstrated a willingness and ability to change that is impressive. We are cautiously optimistic that these changes will be sustained. Let me be specific.

### **Increasing Financial Assistance for the Region's Poorest Countries**

The US increased its contribution to ADF-9 by 12 percent from the previous replenishment, in line with commitments we made to International Development Association (IDA)-13 and African Development Fund (AfDF)-9. We will consider the possibility of additional support to ADB contingent upon the achievement of critical benchmarks for reform. Our expanded support for ADB is congruent with this administration's dramatic increase in support for HIV/AIDS and expansion in bilateral US assistance to the best-performing poorest countries through the Millennium Challenge Account.

### **Increased Grant Assistance**

We particularly applaud the decision of donors, with strong support from ADB management, to devote 21 percent of ADF assistance for grants in the region's poorest and most vulnerable countries starting in 2005. The money will fund schools, health care, sanitation, and other basic human needs where demand is greatest and resources are most scarce. Afghanistan, Lao People's Democratic Republic, Cambodia, Kyrgyz

Republic, and Nepal will receive up to 50% of their assistance in the form of grants. Other vulnerable countries will also receive substantial grant allocations. The poorest countries will be eligible for 100% grants for technical assistance and prevention and treatment of HIV/AIDS. We would like to see the flexibility and country focus of this model adopted by other financial institutions and look forward to reviewing ADB's progress as the first grant projects are rolled out in January.

### **Rigorous Measurable Results**

Results measurement is no longer a slogan but a growing and essential part of the way ADB does business. By the end of the year, ADB has committed to put in place a new human resources policy that remunerates staff for development outputs, not lending targets. ADB has established a dedicated office to guide implementation of results measurement at the country, sector, and project levels. These results indicators will measure quantifiable outputs in infrastructure, agriculture, health, and education. We look forward to reviewing the first results-based Country Strategy and Programs by the end of the year.

We would now like to see ADB's commitments translated into more concrete actions. Results are a part of some ADB projects but not all. In Afghanistan, ADB put in place a time-bound framework for the completion of a critical Kandahar to Spin Boldak road linking Afghanistan and Pakistan to economies in Central Asia. In Cambodia, ADB provided a critical health sector project that has improved the availability and quality of health services of more than 5.0 million people, including 2.0 million of the country's most poor, and improved prenatal care for 2.5 million women. We would like to see this type of results measurement adopted at all levels of ADB and in all projects and programs, public or private sector. To be effective, results management must become an integral part of the culture of the institution and be communicated by ADB top-level management to those inside and outside the institution.

### **Encouraging Pro-Growth Policies**

ADB should support countries that pursue good policies. It has already taken steps to strengthen its performance-based allocation system by increasing the focus on good governance and strong economic growth. These indicators should be comparable to those used by other institutions, place a premium on performance, and be transparent. In support of these objectives, we believe ADB should place greater emphasis on providing resources directed to high-impact, productivity-enhancing activities.

There is a growing consensus that a robust private sector is critical to growth and poverty reduction. Support for small enterprises is particularly important. No country has achieved sustainable growth without a robust small business sector, and no country can hope to foster innovation and generate jobs without small business growth. As an example, ADB is providing support to small and medium-sized enterprises in Pakistan. Nearly 30,000 small businesses will benefit from access to financial services and 8,000

from the operations of the private sector-managed Business Support Fund, which will enhance the productivity and competitiveness of these businesses. We would like to see this type of assistance substantially increased across the region. In order to do so, ADB must marshal resources internally and continue to pursue innovative mechanisms to support private sector growth, including through equity investments, guarantees, and local currency financing.

Remittance flows can also benefit from novel financing services. Nearly \$30 billion in remittances flowed to Asia in 2002, representing a significant flow of income to poor families. ADB has an important role to play in catalyzing remittance flows and increasing their cost-effectiveness. A pilot remittance program has already been rolled out in the Philippines and will be discussed with Asia-Pacific Economic Cooperation (APEC) economies in Tokyo in June. We hope ADB will continue to resource these important initiatives and apply lessons learned to other countries in the region.

### **Conclusion**

ADB has made substantial progress to become a more results-oriented and transparent institution. The key now is to implement these impressive reform policies quickly and to make this an irreversible part of ADB's institutional culture. Private sector lending should become an increasing part of ADB operations. We will monitor progress on this reform agenda with great interest and consider the possibility of additional support to ADB based on the achievement of critical benchmarks for reform. We hope to strengthen our partnership for reform with ADB to address the evolving needs of the region.