



**FIJI**  
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## **UNITED STATES**

**Mathew Haarsager**, Temporary Alternate Governor

On behalf of our Governor, Treasury Secretary Steven T. Mnuchin, I am pleased to represent the United States of America at the 52nd Annual Meeting of the Asian Development Bank (ADB). We would like to thank ADB for its warm reception, and we thank the beautiful island nation of Fiji for its generous hospitality in hosting these meetings.

It is fitting that the first gathering of ADB Governors after the adoption of Strategy 2030 is in the Pacific—the first ADB Annual Meeting hosted by a Pacific member. Strategy 2030 reaffirms ADB's poverty reduction mission while orienting ADB towards important future development challenges of the region, including: (1) supporting basic needs and services to the poorest and most vulnerable; and (2) building countries' resilience, particularly through sustainable infrastructure. These challenges are front and center here in Fiji and in the rest of the Pacific. The United States stands fully committed to supporting the region through the ADB, as the premier multilateral development bank in this region, as well as through our robust bilateral programs. Our policy priorities for the ADB reflect the needs of these countries.

Asia currently accounts for 60 percent of global growth, and its past strong growth has lifted hundreds of millions of people out of poverty over the last few decades. However, the region now faces important challenges, including population ageing and declining productivity growth. Governments will need to accelerate structural reforms to sustain growth over the medium term. These reforms include: business climate reforms to support private entrepreneurship and dynamism; stronger anti-corruption efforts and better enforcement of the rule of law; and high quality investments in infrastructure connectivity and human capital. These reforms will need to be supported by prudent macroeconomic and financial sector policies, including measures to strengthen debt sustainability and transparency, reduce excessive leverage, and ensure more effective resource allocation through bankruptcy reform.

### **Differentiated Pricing and Graduation**

To adapt to the shifts in the region's economic and development landscape and better reflect the values of a development institution oriented to the poorest, the ADB must move forward on the commitments in Strategy 2030 on introducing differentiated pricing for non-concessional lending and effectively applying its graduation policy for countries with greater access to other sources of development finance. ADB's non-concessional pricing has historically been low, and now is an appropriate time to adjust ADB's pricing to better correspond to the institution's global and regional peers, foster financial sustainability, reinforce the graduation policy, and boost resources for the poorest countries.

### **Asian Development Fund**

The Asian Development Fund (ADF) remains a vital tool for supporting ADB's poverty-reduction mission. ADF's principal function should be to provide high-quality grant assistance to the poorest

countries in the region that lack repayment capacity and have limited access to other sources of development finance. The importance of this is increasingly apparent as challenges to debt sustainability mount. We commend the strong performance of ADB under the ADF-12 replenishment and look forward to examining how to enhance ADB's contributions to growth and development in the poorest Developing Member Countries (DMCs) when ADF-13 replenishment negotiations begin later this year.

### **Debt Management and Debt Transparency**

DMCs must be vigilant about the risks to growth and financial stability from elevated debt levels, particularly when that debt is denominated in foreign currency. Governments should foster strong economic fundamentals that will support robust growth and reduce the real burden of debt, while also carefully considering the purpose and financial structure of future borrowing. Additionally, the international community needs to strengthen standards around reporting and transparency of debt obligations. We call on the ADB, in close cooperation with the World Bank, International Monetary Fund, and other International Financial Institutions, to expand its engagement with DMCs to strengthen institutional capacity for assessing, managing, and transparently reporting debt-related risks and improve public financial management.

### **Technical Assistance and Capacity Building**

To support public financial management, debt and infrastructure planning, and other forms of governance support, we urge ADB to develop a clear strategy for delivery of technical assistance and capacity building programming in the region. ADB's Development Effectiveness Review this year again points to reasons for poor sustainability of certain ADB projects, including inadequate capacity of implementing agencies and weaknesses in institutions and governance. Institutional capacity building must play a greater role in ADB's country strategies and should not be limited to the scope of a particular investment project. ADB's ambition to become a leading knowledge-delivery institution is simply not possible without a much stronger institutional commitment in this area.

### **Disaster Risk and Response**

ADB's borrowers are some of the most disaster-prone countries in the world. Building on the positive results from the ADF's work on disaster risk resilience, we call on the ADB to craft a comprehensive policy and an innovative suite of tools to support disaster resilience and country capacity to assess and manage disaster risk, from infrastructure risk mitigation and insurance to crisis response and post-disaster stabilization.

### **Budget and Human Resources**

Strong institutions not only focus on improving the quality of their services, they also constantly endeavor to improve internal efficiency. Through our role on the budget committee, the United States has strongly advocated for steps to strengthen the budget department and the budget process. ADB must build on recent progress and continue to modernize its budgeting for capital expenditures and implement a sound cost accounting system. We see significant room to improve budget coherency throughout the institution, including ensuring that major organizational changes and initiatives are reflected in what the budget committee reviews and approves. ADB must strive to limit growth in the administrative budget.

We will continue to be steadfast advocates for refining ADB's human resources practices. ADB's staff are its most precious asset, and ADB must continue to enhance its performance management system to better reward and distinguish high performers. The comprehensive review of ADB's salary and benefits methodology this year is a prime opportunity to develop a compensation framework that allows ADB to attract and retain qualified staff but also appropriately reflects its development mandate and status as a public-sector institution. The new framework should curb excessive salary growth and strengthen the linkage between performance and salary increases. Furthermore, it should benchmark against total compensation; more closely reflect ADB's hiring markets, especially for International Staff; and increase the use of variable, merit-based pay to reward top performers and allow for more flexibility when recruiting for hard-to-fill positions.

### **Enhancing Quality**

Effective delivery on ADB's ambitious development objectives also requires continued efforts to boost the quality of its operations. These efforts must include moving forward with the review of environmental and social safeguards policies and ensuring strong staffing for safeguards. Policy dialogue is critical to advancing the priorities discussed above, and this depends on staff in the field being incentivized and equipped to undertake frank discussions on reforms. We welcome efforts to shift procurement policies in favor of value-for-money. Finally, we encourage the ADB to collaborate with other partners, including through the use of country platforms, to boost efficiency in meeting our shared goals for promoting growth and development in Asia and the Pacific.