

U.S. DEPARTMENT OF THE TREASURY

Press Center



Assistant Secretary Lago's Statement Asian Development Bank 43rd Annual Meeting Tashkent, Uzbekistan

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I am honored to be here at the 43rd Annual Meeting of the Asian Development Bank. I would like to thank the Government and people of Uzbekistan for their extraordinary hospitality and for giving us such a warm welcome during our stay.

I am going to focus my remarks today on the major challenges for the coming year, both for the region and for the Asian Development Bank.

After a tumultuous period for the global economy and the region, Asia is now experiencing a return to robust growth as a result of well-timed stimulus measures, strong capital inflows, and surging exports. This resurgence of growth has contributed significantly to the fragile, though unmistakable, recovery in global demand.

We commend the international community for acting decisively, and in concert, to support this recovery, without resorting to distortionary trade barriers or capital controls. As we move forward, we must continue to rely on our collective experience to effectively meet new challenges that will enable this growth to endure.

The first challenge will be to decide how and when to withdraw extraordinary stimulus measures. These will be key to restraining inflationary pressures without choking off an embryonic recovery. Several countries in the region have already scaled back fiscal stimulus and raised interest rates in response to resurgent private sector demand and inflationary pressures in their economies. We view these steps as prudent and timely.

The second, more critical challenge is to lay the foundation for future growth that does not exacerbate the mutual imbalances that fed the recent financial crisis. We have a shared responsibility to support this objective. In the United States, we intend to do our part. Specifically, we have committed to cutting our fiscal deficit in half by 2012. We are also building a financial regulatory system for the 21st century that balances innovation and stability. A key element is international coordination on financial sector reform, which is essential to ensure a consistent approach to regulation.

In Asia, we see encouraging steps by a few countries toward more rapid consumption growth, and hope that others will follow suit. Such policies are ultimately in Asia's interest: they will raise living standards in the region, spread the benefits of growth more widely throughout society, and support global growth that is stronger, less volatile, and more sustained.

Let me turn now to the Asian Development Bank. In 2009, the ADB made the largest commitments in the Bank's history, totaling \$17 billion in assistance to help cushion the impact of the crisis in the region. I want to thank President Kuroda for his stewardship of the Bank during this critical period.

This much needed development assistance was made possible by the General Capital Increase (GCI), approved by Governors this time last year. The United States views the governance reforms that were an integral part of the GCI to be a watershed moment for the Asian Development Bank.

The ADB's progress on reform has been strong in many areas, especially managing for development results, strengthening environmental safeguards, and improving risk management in the institution. However, as the ADB continues to focus on the robust implementation of these reforms, we must also address new challenges and priorities that are necessary to further reinforce good governance and promote accountability. These include revisions to the ADB's public disclosure policy and its accountability mechanism, as well as the adoption of a stronger and more independent audit function. We are also confident that the Bank will soon propose and adopt new, robust safeguards to guard against fraud and corruption. We look forward to working with fellow shareholders, and management, on these issues in the coming year.

Before concluding, I would like to commend the ADB for its work in assisting the poorest member states in Asia. The United States strongly supports the ADB's engagement in Afghanistan, and welcomes the opportunity to work with the Bank on a new, innovative rural finance initiative in that country. We also strongly support the Bank's continued intensive efforts to help Pakistan address its critical infrastructure needs, including the energy sector, through financing and policy reforms.

In Central Asia, the Bank has taken a leading role in promoting greater regional integration, including through its stewardship of the CAREC (Central Asia Regional Economic Cooperation) forum. And we believe that Central Asia remains an area where the Bank can expand its work. Just yesterday, I had the opportunity to see first hand the contributions that the ADB has to offer this region during a visit to School 45 in Samarkand, where the girls and boys use books and computer equipment financed by the Bank. I commend the Uzbek authorities for making the education sector such a high priority, and I thank the Bank for its support.

We look forward to another productive year at the Bank and to working with our fellow shareholders in support of this critical institution.

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