

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Statement by the U.S. Governor, Treasury Assistant Secretary Marisa Lago

5/5/2011

**Asian Development Bank 44<sup>th</sup> Annual Meeting  
Ha Noi, Viet Nam**

Thank you Mr. Chairman. I am honored to be here today at the 44<sup>th</sup> Annual Meeting of the Asian Development Bank and would like to thank the people of Viet Nam for their hospitality. I would also like to congratulate President Kuroda for continuing to demonstrate strong leadership at the helm of the AsDB.

As this is my first trip to the region since March, I would like to start by conveying my heartfelt sympathy to those in Japan who are recovering from the catastrophic earthquake and tsunami. We should all remember the generosity of the people of Japan and do whatever we can to aid them in their recovery.

Since we last met a year ago, the Asia-Pacific region's recovery has taken hold, as evidenced by continued robust growth. This vigorous and sustained performance is, of course, most welcome, but it is not without risks, and I would like to use my time today to focus on how we can sustain growth both in this region and globally. I would also like to briefly discuss how we can manage upcoming challenges and opportunities at the Asian Development Bank so as to mobilize resources and sustain reform.

### Sustained Growth in Asia

Our meeting today is taking place against a backdrop of strong regional growth, thanks to strong exports and buoyant domestic demand. However, two factors pose risks to the region's short and medium term outlook. In the short term, inflation, fueled by rising food and energy prices, has emerged as an immediate risk, and an acute threat to the poor. And in the medium term, sustained growth could be undermined by persistent global imbalances.

To help manage inflationary pressures, we believe that targeted measures, such as income support for the poor, can play an important role in alleviating the impact of commodity price increases on the most vulnerable. I would also underscore that such measures are far superior to generalized subsidies on food and fuel that are poorly targeted and distortive. Subsidies on fossil fuels are particularly troublesome, given the impact that fossil fuel consumption has on our global environment.

In the medium-term, but starting now, we will continue to face the imperative of generating a more balanced and durable foundation for growth. We cannot sustain a two-speed recovery, where emerging market economies grow rapidly on back of export demand, while advanced economies are stagnant. Sustained, strong growth requires surplus countries, many of which are in Asia, to strengthen domestic demand, and deficit countries, such as the United States, to increase saving. This is a commitment that G-20 Ministers reiterated last month in Washington, and is a focus of the United States this year as we host APEC.

The United States is doing its part. The personal savings rate has jumped to 5 percent, as households rebuild their wealth. The U.S. fiscal deficit will fall sharply as economic growth continues next year, stimulus measures are phased out, and deficit reduction measures begin to take effect. We have committed to cutting the deficit even further over the long-term, with \$4 trillion in reductions over the next 12 years to put debt on a declining path as a share of the economy by the second half of this decade.

In Asia, we welcome encouraging measures taken by some countries to spur stronger domestic investment and consumption growth, and hope that others will follow suit. Such policies, including exchange rate flexibility, are in Asia's interest: they will raise living standards, spread the benefits of growth more widely throughout society, and ensure global growth that is stronger, less volatile and more sustained.

### Managing Donor Resources

Last year, we commended the Asian Development Bank for its role in helping member countries manage the impact of the financial crisis and resume growth. This led to lending volumes of \$17.5 billion in 2010, up from about \$10 billion before the crisis—an impressive feat.

Going forward, however, these levels will need to moderate to a level that the Bank can sustain. To ensure the best use of its resources, the AsDB will need to be even more selective in its operations, and we encourage the Bank to work with its more prosperous borrowers to reduce the extent of their AsDB funding. Such a transition would free up needed resources for other lower income countries in the region, where AsDB assistance remains critical for growth and reform.

We would also encourage the AsDB to focus more on co-financing initiatives. The AsDB has already proven effective in leveraging its resources with those of bilateral aid agencies. We look forward to seeing the AsDB pursue new and innovative options, including enhanced collaboration with institutional investors, corporations and the banking community.

Effectively mobilizing resources for the Asian Development Fund is also a critical challenge. In the next few months, we will begin negotiating the eleventh replenishment of the Asian Development Fund. This occurs at a time when many donors are financially constrained, but also a time when demands among the lowest income borrowers remain high. In this context, we look forward to working with Bank management and other donors on mechanisms to maximize the availability of resources, including redirection of the Bank's own resources.

### Sustaining the Reform Agenda

As we continue to seek resources from our own governments to fulfill our commitments to both the Asian Development Bank and Asian Development Fund, it remains critical that we make the best possible case that this institution is a worthy recipient of donor funds. In this context, we expect to be able to point to continued progress in the implementation of the reform agenda. Looking ahead, I would point to three issues that are especially pressing:

First is achieving a positive outcome of the AsDB's review of its Accountability Mechanism. Here we must ensure that the review appropriately reflects views from civil society and other stakeholders—this is essential to the Mechanism's credibility.

Second is strengthening the Bank's communication and disclosure policy, which is vital to effective accountability. We commend the AsDB for being one of the first MDBs to adopt a "negative list," and we look forward to continuing innovations from the AsDB.

Third is the effective incorporation of social and gender related goals in project design. I am pleased that these important topics will be on the agenda for the next replenishment negotiation.

I mention this issue today because of my conviction that fully integrating gender issues contributes to better development outcomes. I look forward to having a culture of "gender mainstreaming" take hold in the Asian Development Bank.

Let me conclude by reaffirming that the United States remains firmly committed to the Asian Development Bank. We applaud the steps that the Asian Development Bank is taking to become a more responsive and effective institution, advancing sustainable growth in Asia, ambition in financial mobilization, and innovation in development.