

Statement by Charles Moravec, Temporary Alternate Governor for the United States 2021 Virtual Annual Meeting, Business Session

May 3, 2021

On behalf of Secretary Yellen and Acting U.S. Governor Baukol, I am pleased to represent the United States of America at the virtual 54th Annual Meeting of the Asian Development Bank (ADB). The past year was tremendously challenging for ADB and the Asia Pacific region – arguably the most demanding year that ADB has ever had. In the face of this adversity, we are proud that ADB has risen to the occasion in assisting Developing Member Countries (DMCs).

We welcome the successful finalization of the Asian Development Fund's Twelfth Replenishment (ADF-13) and the approval of the new concessional assistance policy. The U.S. pledge underscores continued strong support for the poorest and most vulnerable countries in the region. During this difficult time and with debt sustainability under pressure, it is more important than ever to have high-quality sources of development finance, particularly grants. ADF-13 will be critical for financing the pandemic response in the region.

Yet, the work has only just begun. The pandemic has taken a tragic human toll and triggered a social and economic shock, ravaging lives and livelihoods. Our immediate priority must be to address the health crisis and pave the way for an inclusive and sustainable recovery. There is hope, as many countries have begun inoculating front-line healthcare workers and the most vulnerable with safe and effective vaccines, with ADB support in several cases. Yet, we are likely nearer the end of the beginning than the beginning of the end.

The pandemic has hit the entire region hard, and the outlook for recovery varies by country depending on factors including infection rates and containment measures, policy responses, reliance on contact-intensive activities, and external demand. Notably, Pacific Island countries have mostly avoided COVID-19 outbreaks, but tourism-dependent economies in the region have suffered severe economic contractions, while pandemic-related expenses and decreases in revenue have resulted in increased public debt in a region already susceptible to increased natural disaster risks. Across Asia and the Pacific, output is expected to remain below pre-pandemic trends over the medium term and macro support continues

to be key to economic stability. More recently, countries throughout the region face new COVID-19 surges, reinforcing the fact that the crisis is not over.

COVID-19 RESPONSE

In addition to the tragic loss of life, ADB estimates that as a result of the pandemic, there are 78 million more people living in extreme poverty in Asia and the Pacific. This impact has disproportionately fallen on groups and individuals that were already disadvantaged and vulnerable and is a serious setback to the admirable progress in poverty reduction that countries in the region have made and the efforts countries still need to make to foster more inclusive, sustainable development. ADB has mounted a determined effort to provide rapid, substantial, and flexible assistance, including policy advice and technical assistance, to complement government responses. The resilience and commitment of ADB staff to the Bank's mission has never been more apparent as they have delivered in the face of significant disruptions and adverse circumstances.

The United States recognizes the importance of expanding access to vaccines. We are dedicated to working with the international community to ensure that Asia and the Pacific are not left behind. The Biden-Harris Administration has committed \$4 billion to COVAX, and we urge others to increase their support for this initiative. ADB has a significant role to play in supporting vaccine campaigns. To that end, we were pleased to support the launch of the \$9 billion APVAX initiative. We will continue to work with partners to find solutions for increasing vaccine supply, explore sharing excess vaccines, and make sure financing does not become an obstacle for global vaccination.

CLIMATE

As Secretary Yellen has said, climate change is an existential threat. A global problem requires multilateral cooperation and action. Two weeks ago, President Biden hosted a Leaders' Summit to collectively boost ambition and accelerate our global efforts to address the climate crisis. Asia and the Pacific are home to 60 percent of the world's population, and ADB's members—not least those in the Pacific—will be among the most impacted by increasing temperatures, rising sea levels, and more frequent and unpredictable weather-related disasters.

We expect ADB to be a leader in scaling up transformative green finance, supporting innovative approaches to bolster adaptation, and crowding in private investment to help

DMCs unlock the financing needed to transition to low emissions development pathways. ADB should work at the policy and regulatory level to assist DMCs with their nationally determined contributions and long-term low emission strategies under the Paris Agreement. Similarly, the ADB plays a critical role in identifying and reducing regulatory, policy, legal, and technical barriers that can inhibit private sector climate finance investments. Efforts should be expanded to integrate private sector climate finance mobilization across the Bank. Furthermore, ADB must expedite its own efforts to achieve Paris Agreement alignment. We urge Management to announce a target date for initial alignment as soon as possible.

ENERGY POLICY

ADB's energy policy must evolve to reflect the immense changes in the global energy landscape in recent years. We reject the notion that there is a tradeoff between satisfying energy needs in developing countries and meeting critical climate and environment objectives. On the contrary, climate-friendly energy investments, quality infrastructure, and good jobs go hand-in-hand. The greater risk for DMCs is an overreliance on fossil fuels and stranded assets.

President Biden has directed the U.S. Government to end international public financing of carbon-intensive fossil fuels and transition our economy toward net zero emissions by midcentury. These two policy directives will shape our international engagement.

At the project level, we urge ADB to bring its energy policy in line with the goals of the Paris Agreement by prohibiting coal and almost all oil investments, and only supporting natural gas projects in a limited set of circumstances and countries. The on-going efforts to bring all MDB processes into alignment with the goals of the Paris Agreement naturally bend in this direction. Finite development resources should support DMCs' embarking on a strong economic growth path to a sustainable and resilient future.

FINANCIAL SUSTAINABILITY

We continue to be concerned that the ADB's lending path is unsustainable and may require a capital injection within the next ten years. While elevated lending levels were critical to respond to the crisis, higher lending levels and faster disbursement will further constrain ADB's ability to respond in the future, including resources for the ADF. We urge Management to assess the capital adequacy trajectory and provide options, including increasing loan pricing, to bring the ADB in line with other MDBs and place lending on a sustainable path.

GRADUATION

Effective stewardship of scarce resources to boost recovery efforts and support sustainable growth demands that the AsDB focuses its financing on lower income countries and provide higher income countries with a clear pathway to graduation. We welcome the new Graduation Policy Implementation Guidelines and urge Management to make rapid progress applying the Guidelines and graduating countries with incomes above the threshold and robust access to other sources of finance. The new graduation criteria assessments could be a useful tool if staff carefully apply their results to tailor Country Partnership Strategies for countries above the graduation discussion income threshold to focus on addressing the identified constraints to graduation.

SAFEGUARD POLICY STATEMENT

The ADB is also a critical leader on environmental and social safeguards in the region. We urge ADB to adopt a strong safeguards policy, building on the best practices at other MDBs. This will require a greater focus on social issues, as well as stronger implementation and capacity building. We also urge ADB to consider where it can be a leader in developing new approaches, for instance in relation to climate change.

DEBT MANAGEMENT, TRANSPARENCY, AND SUSTAINABILITY

Governments have appropriately responded to the economic crisis with robust spending measures. But with entire sectors frozen and many people unable to work, fiscal deficits have widened, and borrowing has accelerated. This has exposed existing debt vulnerabilities and, in many cases, amplified the deterioration in debt dynamics. ADB is both a reliable source of high-quality development finance for the region's poorest countries, often on concessional terms, and a key provider of policy advice and technical assistance to build debt management capacity, increase debt transparency, and promote long-term debt sustainability.

The United States has strongly supported the Debt Service Suspension Initiative (DSSI), which has provided liquidity relief to help low-income economies during the crisis. For countries that may need deeper debt treatment, the United States urges countries to quickly move beyond the DSSI to the G20 Common Framework. The Common Framework provides a venue for countries to address prolonged liquidity problems and debt sustainability.

Common Framework treatment is connected to a full-fledged IMF program, which will help guide credible policy reforms—and enables fair burden-sharing from official bilateral and private creditors through the comparability of treatment principle.

GENDER DIVERSITY ON THE BOARD OF DIRECTORS

Lastly, we are delighted that the Board of Directors has submitted, for the first time ever, a Report to the Board of Governors on Gender Diversity at the ADB Board of Directors. We applaud this important initiative and fully support the proposed multi-pronged work plan. We look forward to reports on progress on this initiative and broader efforts to expand diversity and inclusion across the institution and its operations in the future.