

Remarks by the Temporary Alternate Governor for the United States of America Alexia Latortue, 2024 Annual Meetings of the Boards of Governors of the Asian Development Bank

May 20, 2024

The United States conveys its thanks and appreciation to Minister of Finance and Chair of the ADB Board of Governors, Lasha Khutsishvili, and the Government of Georgia for hosting the 57th Annual Meeting of the Asian Development Bank (ADB). As ADB reaches the halfway point of Strategy 2030, the Annual Meeting provides a valuable opportunity for us to take stock of where the bank has succeeded and where we need to do more. Just as importantly, we can reflect on what refinements are needed to the institution's direction to achieve our shared vision of a prosperous, inclusive, resilient, and sustainable Asia and Pacific.

We meet after a year of relatively strong and resilient growth across Asian developing economies bolstered by continued improvements in domestic and external demand. However, strong economic prospects in many of the region's largest countries should not distract from the needs of some of the smallest and most vulnerable of the ADB's developing members. In the Pacific, for example, the region's economic recovery remains uneven, and countries are highly vulnerable to shocks. The positive overall outlook should also not distract from resolute progress on challenging but necessary economic reforms in countries like Pakistan, Sri Lanka, the Maldives, and Laos. More broadly, the region faces risks to its momentum that merit close attention, including tighter global financial conditions, slowing domestic demand in China, and high debt levels. As countries seek to maintain growth momentum and manage these risks, they will continue to look to international financial institutions (IFIs) like the ADB to provide sound policy advice, technical assistance, and high-quality development financing.

We commend ADB for the remarkable progress it has made since U.S. Treasury Secretary Yellen's call for the multilateral development banks (MDBs) to evolve to better respond to global challenges. Still, the agenda is far from finished. Pressing challenges such as climate change, conflict and fragility, and pandemics threaten hard-won development gains, and we urge continued commitment to undertaking Evolution reforms. In line with its position as the premier development partner in Asia and the Pacific, ADB has a critical role in (i) delivering

high-quality development finance, including climate finance; (ii) mobilizing additional funding, including marshalling domestic resources and enabling investment by the private sector; (iii) playing a convening role for stakeholders; and (iv) serving as the region's knowledge bank.

THE ASIAN DEVELOPMENT FUND AND REAFFIRMING THE UNITED STATES' COMMITMENT TO PACIFIC ISLAND COUNTRIES AND THE PEOPLE OF AFGHANISTAN AND MYANMAR

The successful pledging session for the Thirteenth Replenishment of the Asian Development Fund (ADF 14) demonstrates the deep and enduring commitment of ADB and ADF donors, including the United States, to support the region's poorest and most vulnerable countries. ADF 14 will provide significant new grant resources for Pacific Island Countries grappling with urgent development needs and the effects of climate change, fragility, and other challenges. We also welcome the creation of a Community Development Window (CDW) for the people of Afghanistan, who are suffering under an unjust and illegitimate regime that does not respect basic human rights, especially those of women and girls. The CDW will also benefit the people of Myanmar, including those that have been displaced to Bangladesh. We appreciate Management's positive response to shareholder calls for a substantial increase in the annual net income transfer, one of the pillars of the ADF financing framework.

THE EVOLUTION OF ADB: FINANCIAL CAPACITY AND CAPITAL MANAGEMENT

Over the last year, ADB has implemented many of the G20 MDB Capital Adequacy Framework (CAF) recommendations. Major milestones include updating the Capital Adequacy Framework and adopting comprehensive exposure limits, and we applaud ADB unlocking about \$10 billion a year in new lending capacity over the next decade through these reforms. Shareholders and Management also worked hand-in-hand to assess the probability of a capital call and to clarify processes for initiating and responding to a call, culminating in a report that makes a compelling case for the value of callable capital. Looking forward, we expect Management to develop a holistic approach to managing income and capital, encompassing factors such as pricing, lending volume, and the administrative budget, perhaps as part of an expanded annual Work Program and Budget Framework process.

THE EVOLUTION OF ADB: OPERATING MODEL

ADB's New Operating Model (NOM) is a foundational piece of ADB's climate and private sector shifts. The NOM officially took effect in June 2023, but meaningful and sustainable change requires consistent follow-through. Even as we move into the next phase of the NOM this year, the most difficult work has hardly begun. Deeper, more transformational reforms, such as on business processes, decentralization, and sovereign/non-sovereign cooperation, are only possible with a strong commitment to implementation. We urge Management to continue to frequently update staff and the Board of Directors with open lines of communication, seek the Board's guidance, and embrace course corrections when needed.

THE EVOLUTION OF ADB: INCENTIVES

Another key pillar of ADB's evolution is creating a robust and mutually reinforcing system of financial and non-financial incentives. This means incentivizing countries to tackle global challenges like climate change, conflict and fragility, and pandemics, incentivizing the institution to prioritize projects that address such challenges and execute them well, and incentivizing staff by incorporating global challenges into performance reviews and promotion potential. The Mid-Term Review of Strategy 2030 and the revised Corporate Results Framework (CRF) are important opportunities to align ADB with the evolution agenda.

CRITICAL ISSUES: CLIMATE CHANGE

Several years ago, President Asakawa declared that ADB will become the region's climate bank, and we are pleased to see how far ADB has come. ADB also adopted a new Climate Change Action Plan (CCAP) to embed climate in the institution's DNA. The CCAP touches every corner of the bank, from planning to operations, financing, partnerships, and knowledge, creating ownership and accountability throughout. We also commend ADB's leadership on the Indonesia Just Energy Transition Partnership.

ADB committed a record amount of climate adaptation and mitigation finance in 2023. As of July 2023, all new sovereign operations and at least 85 percent of non-sovereign operations are aligned with the goals of the Paris Agreement. The bank's climate targets are being reassessed as part of the Mid-Term Review of Strategy 2030 and the new CRF to reflect the high level of ambition and increased overall financing capacity. For ADB to truly realize President Asakawa's promise, we must ultimately measure success not just by dollars disbursed but by impact achieved. This will require a stronger focus on diagnostics,

measurement and evaluation during implementation, and transparent measurement and delivery of outcomes.

CRITICAL ISSUES: SAFEGUARDS AND ACCOUNTABILITY

The review of the Safeguard Policy Statement will conclude later this year with a new policy that should modernize ADB's approach and set a new standard for comprehensive environmental and social safeguards in the region, in support of the ADB's goals for inclusive and sustainable development. To achieve these objectives, it is essential that the new policy include adequate time for public disclosure of environmental and social impact assessments of high-risk projects. We appreciate the ADB's efforts to better assess forced labor risks in the supply chains for solar power projects. We think there is scope to build on these efforts and work with clients to improve supply chain due diligence in other high-risk sectors.

ADB will soon turn to a review of the Accountability Mechanism Policy (AMP). That review should result in a stronger Accountability Mechanism that is independent, accessible, and timely in its work. To achieve this, the review must be underpinned by strong public consultation. Strengthening the Accountability Mechanism is critical to supporting effective implementation of the Environmental and Social Framework for project-affected people, and thereby increasing the development impact of ADB's financing.

CRITICAL ISSUES: PROCUREMENT

The United States played a pivotal role in driving ADB's procurement reforms in 2017. This was the first step in shifting from a rigid, exclusive focus on lowest cost to recognizing quality and value-for-money as core principles. The timelines associated with project design, procurement, and execution mean that realizing the benefits of these reforms is a gradual process. We urge ADB to redouble efforts to strengthen implementation of the procurement reforms, including providing additional support for capacity-building in recipient countries and using differentiated approaches in fragile and conflict-affected situations and small island developing states. Developing Member Countries are best served when there is a level playing field and strong competition from bidders that have the capability and commitment to deliver good value-for-money outcomes. American companies are some of the best and most innovative in the world, and we are equally focused on fostering greater interest in ADB procurement opportunities to help drive high quality development outcomes.

CRITICAL ISSUES: ADB AND GENDER

We welcome the fourth Annual Report to the Board of Governors on Gender Diversity at the ADB Board of Directors. The report is a key tool for helping Governors understand the status of gender diversity on the Board of Directors, how ADB compares to peer institutions, trends over time, and how Governors can support better gender balance. Notably, female representation on the Board reached a historic high of 40 percent in 2023. We must continue to work for progress and guard against backsliding. The Board Working Group has the full support of the United States to continue its efforts.

With respect to ADB’s operations, we believe it is critical to reassess ADB’s definitions of “gender” and “gender equality,” which are no longer aligned with peer institutions. Broadening the lens of gender to be more inclusive – and explicitly include sexual orientation and gender identity – would increase the outreach and impact of the bank’s assistance. This does not detract from ADB’s commitment to support women and girls; to the contrary, it would enable ADB to sharpen its focus by more systematically addressing gender intersectionality or the multiple dimensions of exclusion and vulnerability experienced by disadvantaged and vulnerable groups.

###