

**U.S. Position on the Asian Development Bank's (ADB)
Interim Country Partnership Strategy for Burma
October 26, 2012**

The United States endorses the ADB's interim country partnership strategy for Burma (2012-2014). The United States places value on the ADB's important role in this country's development, reform, and strengthened governance and reiterates its support for the economic and political reforms that are currently underway.

This country partnership strategy, and the U.S. endorsement of it, are recognition of both the progress made in Burma and our desire to see that process continue in the months and years ahead. The ADB is rightly positioning itself to assist in the ongoing economic and political transformation of Burma. For its part, the United States will continue to review and to ease its bilateral restrictions in response to positive actions undertaken by the government in a number of important areas.

Over the past six months, the United States has taken a number of significant bilateral steps to support the country's economic and political reforms. In July, the U.S. Government eased several financial sanctions, including ones that kept U.S. companies from investing in and exporting financial services to the country.

From a multilateral perspective, one of the more significant changes in the United States is that the U.S. Congress passed, and President Obama recently signed, legislation allowing the Administration to waive legislative mandates that directed U.S. Executive Directors to vote "no" on Board proposals for financial assistance to this country from the ADB and other international financial institutions. This new legislation is particularly important because of the key role ADB assistance can play in coming years in Burma. The ADB, in concert with other bilateral and multilateral partners, will help the authorities build a strong foundation for development and successful reintegration into the international economic community after years of isolation.

Through its capacity and institution building, policy engagement, technical assistance, and eventually lending, ADB can help strengthen key public financial management systems, build

capacity in key ministries, enhance fiscal transparency and accountability, and help ensure sufficient engagement with civil society. Building a solid foundation in all of these areas is absolutely critical, especially as the country opens up and seeks to harness expected and significant inflows of private capital and foreign direct investment for development.

The first task in this regard is for Burma to normalize relations with creditors, including the ADB. The United States appreciate that the government has begun working with the ADB, World Bank and IMF on priority reforms to support sound macroeconomic development, and looks forward to successful completion of the arrears clearance exercise early next year. As part of this process, the United States hopes that the Burmese government will begin making payments on its ADB and World Bank debts as they fall due, which is generally a minimum expectation of countries in the arrears clearance process. The United States also expects continued ADB coordination and collaboration with the World Bank and bilateral creditors (including the Paris Club) on arrears clearance as part of a comprehensive multilateral normalization effort.

And yet, along with this positive and supportive outlook, the United States also remains cautious, knowing that the enthusiasm of the international community can easily outpace the government's capacity to manage that support. Its institutions are weak, and decades of economic isolation and military rule have distorted the economy tremendously. In designing and implementing future projects, the ADB will need to go beyond its normal due diligence in applying supervision and financial monitoring. At the same time, the Bank must ensure that its assistance is neither associated with nor exacerbates human rights abuses and ethnic tensions in this splintered and impoverished society.

Furthermore, PSOD will need to exercise particular caution in selecting loan/equity investment recipients to ensure high corporate governance standards.

On the details of the strategy itself and how it must contribute to the economic and political transitions currently underway, at the most macro level, the United States agrees with the focus on the three program areas of building human and institutional capacity, promoting the enabling environment, and creating access and connectivity for rural livelihoods through infrastructure development. In practical terms, the United States recognizes that planning is still at a very early stage and it is unclear what shape many of these investments will take. The United States appreciates staff's efforts to date to build the necessary relationships within the various government ministries, to assess absorptive capacity, provide technical assistance where requested, and begin narrowing down the particular areas in which ADB support will be most effective. Given the country's institutional weaknesses, the United States wants to stress that capacity building must be a prerequisite to large-scale lending in order to ensure that the government has the capability to use such assistance effectively; the United States therefore urges ADB to exercise forbearance in moving toward infrastructure lending.

The United States also appreciates the level of coordination between the ADB and other development partners, particularly the World Bank, which has its own areas of comparative advantage. As the process of assessment and sector analysis continues, the Bank should remain focused on its core areas, notably sustainable energy and transport infrastructure, financial sector development, and private sector strengthening. When the time comes to begin identifying and designing programs, it will also be important to include large doses of technical assistance and policy guidance as needed to support the sectors in question.

Concerning the Bank's strategy for its policy-based operation for arrears clearance, the United

States agrees that the priorities should include efforts to support fiscal sustainability and macroeconomic stability and to strengthen management of public finances, increase investment, and promote regional trade and financial integration. Of these, fiscal transparency is perhaps the most pressing need as it is indispensable to the notion of public accountability on which successful development rests. Wide-ranging investments in public financial management will be vital, including technical assistance, policy advice, and knowledge management generally. Along these same lines, while the United States commends the country for taking the initial steps towards building an adequate anti-money laundering and counterterrorism financing (AML/CFT) regime, it encourages further progress on the concerns that led the Financial Action Task Force (FATF) to add the country to the FATF blacklist, and hopes the ADB can help support these efforts. Furthermore, given the likely commercial interest in developing the country's vast natural resources in coming years, the United States suggest that the ADB might have a role in helping the authorities implement their previously- expressed commitment to join the Extractive Industries Transparency Initiative (EITI).

Similarly, transparency and sound development decision-making will also be enhanced through active Bank engagement with civil society, and Bank efforts to promote greater government engagement with these same groups. The United States recognizes that these are early days in the relationship between ADB and Burmese civil society groups and that staff are still learning their way around this country's non-governmental sector. Still, developing a collaborative relationship now will yield major benefits in the future, helping to ensure that development activities undertaken by the government and supported by the ADB reflect the priorities of the society at large.

With these comments in mind, the United States reiterates its support for this interim country partnership strategy for 2012-2014. The United States looks forward to the Bank's active engagement to help build the foundation for development, good governance, transparency, accountability, and inclusive growth.
