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Statement by the Governor for Switzerland

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1. On behalf of the Government of Switzerland, I would like to express my deep appreciation to the authorities of Panama and the people of Panama City for their warm hospitality.
2. In Cancun, Switzerland addressed the Board of Governors underscoring the need not only for a bigger, but also a better Bank. Together, Governors agreed on a set of institutional reforms to further improve the IDB's efficiency and effectiveness.

On the GCI-9 midterm evaluation

3. The IDB, under the leadership of President Moreno, has made good progress in implementing the reforms. It deserves credit for this. The Bank today is a better Bank than three years ago. The IDB has become more open and transparent about the way it works, putting greater emphasis on results. The Income Management Model is valued as a tool for informed decision-making in the Bank and for highlighting financial and risk associated trade-offs.
4. Looking ahead, there are several areas where work remains to be done. I would like to highlight three: First, selectivity. While it is important that the Bank is responsive to borrowing countries' needs, it should maintain a focus on those activities where it has a clear added value. As the midterm evaluation highlights, additionality begins with prioritizing Bank interventions in corporate, sector and country strategies.
5. Second, the MSA. The Macroeconomic Sustainability Assessment (MSA) represents an integral part of the GCI-9 Agreement. At this stage, I think it is important that we recognize the importance of the MSA key objectives, which are the financial stability of the IDB and the concern for borrowers' debt sustainability. However, implementation of the MSA showed to be challenging. In its current form, the MSA is neither effective nor efficient to date. We encourage Management and the Board of Directors to give the work on this topic high priority.

6. Third, results culture. The Bank has made progress toward better results measurement and monitoring, but further progress is warranted to demonstrate that its work is making a real difference and that its development results are sustainable. This is an essential part for communicating value for money to national constituencies and for improving development effectiveness on the ground.

7. The Bank has another two and a half years to go to consolidate progress and to transform itself into a more targeted and effective institution. Paying as much attention to quality as to quantity will be important to achieve this goal. We are confident that this will allow the IDB to meet the GCI-9 commitments by 2015 and to retain its prominent role in the region.

On the quality of the IDB's private sector support

8. Switzerland is a strong advocate of development through the private sector. Micro, small and medium-sized enterprises are agents of development and innovation. They provide jobs, income to workers and their families and help strengthen social cohesion. For SMEs to flourish, it takes conducive macroeconomic policies and a coherent regulatory framework to build the business environment. Providing the informal sector with the incentives to formalize and the tools to grow, such as access to markets, physical and social infrastructure and reliable public services will be crucial. Lastly, we must not forget education and vocational skills to enhance productivity and create employment opportunities.

9. Switzerland supports a reform of the private sector windows. As in the case of the GCI-9 and “Better Bank Agenda”, efficiency and effectiveness should be the yardstick to measure a reform of the private sector windows. The GCI-9 midterm evaluation together with its recommendations has set the scene for the Bank in this regard. Efficiency gains are likely to be achieved by reorganizing the four windows and merging them into one entity. By doing so, overlaps are likely to be reduced and transaction costs lowered.

10. However and more importantly, the midterm evaluation is less clear on how the IDB can improve its effectiveness. Effectiveness in private sector development, we believe, comes from knowing your client and developing the instruments and know-how to serve them. At the same time, effectiveness may also come from not doing something—an aspect that is easily forgotten. Part of the improvement about how the Bank operates in its private sector operations refers to concentrating its resources on those areas where it has a clear additionality and comparative advantage. To match efficiency gains with effectiveness, the IDB should formulate a vision for its renewed engagement with Latin America's private sector and clarify its value proposition based on the needs of the region. The success of the Bank's response will consist in optimally combining strategies, policies and investment projects of its sovereign and non-sovereign lending and advisory.

Prioritizing quality in Haiti

11. Switzerland welcomes the major role the Bank plays in the development effort in Haiti together with its long term commitment to the country in combination with the \$200 million annual transfer to the Haiti Grant Facility. The Bank's performance in Haiti in the medium and long term will be measured first and foremost by IDB's development

results on the ground, rather than its approval and disbursement rates. The Bank can strengthen its effectiveness by further adapting the IDB's program to the challenging realities of fragile states, by assessing thoroughly issues pertaining to fragility, strengthening pre-investment work and by supporting institution building. This will not only enhance Haiti's absorptive capacity but the chances for sustainable development results. Furthermore, we encourage the IDB to support the implementation of the 'New Deal for Engagement in Fragile States' with the objective to build government capacities, further enhance governance structures, and strengthen a country led way out of fragility.

Concluding remarks

12. My last point is on strengthening efficiency and effectiveness across all Multilateral Development Banks. We are pleased by recent efforts of the leaders of Multilateral Development Banks and the IMF to coordinate more closely. We look forward to hear more on how this cooperation will be strengthened on the ground. Their commitment toward this goal is important to achieve the Millennium Development Goals by 2015 and beyond.

13. In conclusion, allow me to thank the staff and the IDB's Management together with President Moreno. Under his leadership, staff's firm commitment and dedicated work has helped build a better Bank for the region.