



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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*Address by the Outgoing Chairman of the Boards of Governors of the
Inter-American Development Bank and the
Inter-American Investment Corporation
at the inaugural session*

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1. It is an honor to address you at the conclusion of a year in which I have been privileged to chair the Boards of Governors of the Inter-American Development Bank and the Inter-American Investment Corporation.
2. I would like to start by thanking the government and people of Panama for their hospitality and congratulate them for their excellent work in organizing this meeting. I also want to express my gratitude to President Moreno and his team, with whom we have worked closely throughout the year.
3. In the past year the region has experienced continued growth at more moderate rates than in previous years, due in part to weak recovery in the developed economies. Our economies generally obtained better results than the more developed countries, showing that our region is better prepared than in the past to face unfavorable external contexts and the global financial crisis. In this complex and changing world, the IDB as principal partner has made a great effort to continue supporting our countries. Evidence of this is the IDB's performance in recent years, when the Bank has increased lending volumes to the region while diversifying its lending instruments and improving its knowledge products. All this was framed within an ambitious process of reforms under the Bank's Ninth General Capital Increase (GCI-9).
4. Specifically, this was the third year of implementation of the reform process that originated at the Annual Meeting in Cancún. Our institution has simultaneously, and in a short span of time, had to undertake highly complex and demanding initiatives unparalleled at other multilateral institutions. Today we can state that the vast majority of these reforms have been implemented. We therefore congratulate the Bank's Management and Board of Executive Directors for satisfactorily launching this significant effort.

5. Yet challenges still remain. We cannot overlook the fact that certain GCI-9 reforms have met with implementation problems, including insufficient impact and net costs to the Bank. It is my view that the limited gains in implementing these particular reforms are due largely to problems in design and faulty original formulation. This is specifically the case of the Macroeconomic Sustainability Assessments (MSAs) and the Independent Consultation and Investigation Mechanism (ICIM). It is therefore our duty, as Governors, to discuss, review, and reframe these instruments that are currently not working.
6. Another area in need of reformulation by the Governors is the development of the non-sovereign guaranteed sector. Tomorrow, Management will seek a mandate from us to work on proposals to formulate and implement a renewed vision for private-sector operations. Despite progress, the IDB's non-sovereign sector continues to experience problems of coordination among its various windows, fragmentation in its governance structure, and marked underleveraging of synergies. Thus, I believe that we should grant this mandate to enable the Board of Executive Directors and Management of all Bank groups to work together on proposals for a restructuring of the private sector.
7. The Multilateral Investment Fund (MIF) has been effective in finding unconventional ways to support development through microenterprises and small businesses. We must ensure the MIF's continuity in the coming years, replenishing it with fresh resources to reaffirm the ongoing support of the donors. A solution that provides continuity for the MIF should be associated with the general restructuring of the private sector, since the greatest potential for scaling solutions lies in deepening the MIF's connection with the rest of the private sector. Nevertheless, we should look at alternative plans, in case the timeframes for private-sector restructuring are extended.
8. In short, it will be the incoming chairman's task to address the issues of reviewing and reframing those instruments arising from the GCI-9 reform process that currently are not working; provide the Management of all Bank groups with a mandate to develop proposals, together with the Board of Executive Directors, for restructuring the Bank's private sector; and provide a solution to ensure the MIF's continuity. We wish him much luck and success in that mission.
9. For our part, the process of reallocating the shares reserved for Venezuela and the Netherlands was completed in the year now ended. In addition, the Governors approved a proposal to establish two contingent financing instruments: a Contingent Credit Line for Natural Disasters and a Development Sustainability Credit Line. At the same time, the Board of Executive Directors approved the modality of programmatic policy-based loans with deferred drawdown option and the Prepayment and Reallocation Program. All these initiatives enhance the flexibility of the Bank's general lending instruments while strengthening its countercyclical capacity.
10. The Board of Governors received a report for information on estimating potential demand for long-term development financing in Latin America and the Caribbean. This report projects that average annual demand for IDB sovereign-guaranteed resources will be well above the institution's current lending capacity. Lastly, I want to highlight that, as agreed by the Governors at the Annual Meeting in Montevideo, a consensus proposal has been offered to make more efficient use of the time allotted to the Board of Governors by

increasing our discussion and deliberation time. As you will have noticed, these changes have already been put into practice at this Annual Meeting in Panama.

11. I would like to conclude by thanking you for all your support over the past year and expressing our full support for the Governor for Panama and our readiness to work with him this coming year. The many challenges he faces, if they come to pass, will undoubtedly help to strengthen the Bank's role as a development institution and ensure its position as the region's principal partner.