



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

PANAMA CITY, PANAMA

AB-2932
CII/AB-1351
16 March 2013
Original: English

Statement by the Alternate Governor for Belgium

Franciscus Godts

1. On behalf of the Belgian authorities and on behalf of the new incoming Governor, Minister of Finance Koen Geens in particular, I would like to express my appreciation to the Government of Panama and to the City of Panama for their warm hospitality and excellent organization of this year's Annual Meeting.
2. The Annual Meeting in Cancun, now three years ago, remains the benchmark against which progress towards a bigger and better bank is to be measured. Many important aspects of the Ninth General Capital Increase (GCI-9) are being implemented in a satisfactory manner and this in the context of a particularly challenging international economic environment.
3. The global and regional economic outlook remains uncertain and is prone to downside risks. I am pleased to note that the Bank has been playing an important role in harnessing the region from the global economic downturn. Lending activity in 2012 was robust and headway has been made in strengthening the Bank's countercyclical capacity. Economic growth in the region has shown remarkable resilience due to a number of necessary macroeconomic and structural reforms undertaken by many countries for a number of years. But, as research and empirical evidence are indicating, this window of opportunity is closing rapidly and challenges ahead need to be addressed comprehensively and forcefully.
4. OVE's mid-term evaluation of the GCI-9 agenda has identified quite some accomplishments, but perhaps more importantly has also pointed out a number of weaknesses which I believe Management together with the Board should tackle to make the institution truly effective, efficient and accountable to all of its stakeholders.
5. Belgium has always been a strong advocate of enhancing the nexus between economic growth and poverty reduction and private sector development. It is clear that unlocking the private sector potential will be crucial in the coming years to close the infrastructure gap, to increase productivity and to bring the small and medium-sized

enterprise fabric into the formal sphere. Furthermore, a vibrant private sector is essential for creating much needed jobs. The independent evaluation carried out by OVE has formulated a number of recommendations on how the IDB Group should improve its catalytic role in dealing with the private sector. Some interesting ideas have been formulated already and need further reflection, which ultimately should result in a comprehensive action plan encompassing all private sector windows of the Bank Group. Given the importance of this undertaking, I would encourage Management, in a close and inclusive partnership with the Board, to carefully assess the optimal organizational modalities of a Bank-wide approach towards private sector development. We should take the time to get this right. In this regard, I would plead for a realistic time frame and Governors should only be involved at the time when sufficient consensus and ownership are reached on the way forward.

6. I commend the Bank for strengthening its focus on development results on the ground. This should be kept at the forefront of all Bank-supported activities. Bank lending should to a certain degree be based on country demand, but should also take into account the specific country context in terms of institutional and financial strengths to ensure that financial assistance is being used efficiently and in a sustainable manner.

7. The Bank has made great strides in enhancing its accountability towards its stakeholders, not the least the ones that benefit directly from Bank supported operations. However, still a number of deficiencies exist within the institution to be fully responsive to possible shortcomings in the design and execution of its own operations. We are confident that those will be remedied expeditiously.

8. Belgium recognizes and commends IDB's leadership's role in the ongoing reconstruction effort in Haiti. In this vein, we subscribe to the Bank's long-term financial commitment to the country. But, perhaps the time has come to enhance the coherence of the Bank's involvement, emphasizing more collaboration and cooperation on the ground with other donors and aligning disbursements closer with improvements of the institutional capacity of the country.

9. The successful conclusion of the GCI-9 is a testimony of the strong shareholders' support to the institution. Its triple-A rating is also proof of a well-capitalized institution and recognizes it is managed in a financially prudent fashion. Administrative expenses, which have increased significantly in recent years, should be kept under close review. But a better bank does not necessarily mean a bigger bank. The relevance of the Bank will be measured by the development effectiveness of its operations and not solely by its lending volume. An agile and relevant institution is characterized by translating selectivity into its operations. I encourage Management to reflect more on where the Bank could optimize its catalytic role in the region, based on its comparative advantage and avoiding that scarce internal resources might be spread too thinly across too wide a variety of areas.