



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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***Remarks by Luis Alberto Moreno
President of the Inter-American Development Bank
at the Special Governors' Meeting***

The room where we meet today is named in honor of the Contadora Group, created 30 years ago to pursue peace in Central America.

As we all know, the outcomes of that process extended well beyond Central America, and are further proof that our countries can organize and work effectively to promote stability and find solutions to the problems affecting the region.

Without a doubt, this is a fitting framework to begin this discussion session, the format of which has changed, as agreed last year in Montevideo, to promote active dialogue among our Governors to facilitate an exchange of ideas on the work agenda.

I therefore propose that we begin these proceedings with consideration of the midterm evaluation of the commitments under the Ninth General Capital Increase, conducted by the Bank's Office of Evaluation and Oversight (OVE).

Meeting three years ago, with the Ninth General Capital Increase we set ourselves the task of building an institution with more financial muscle and better governance, to ensure more efficient and effective use of our resources.

We could never have come this far, if we had not embarked on an institutional realignment process in 2007, making our business model results-oriented with a country focus.

As IDB President, I am pleased to see OVE acknowledge how far we have come.

The Bank has successfully put the Ninth General Capital Increase mandates into practice.

- Given its scope and complexity, this task has entailed disciplined, hard work by the Board of Executive Directors and Management that deserves special mention.
- Indeed, OVE states that “seldom has an international organization completed so many complex initiatives simultaneously in such a short period.”

As will be presented in greater detail a few minutes from now, progress is clear in such areas as:

- development effectiveness,
- measurement of portfolio performance,
- flexible lending instruments,
- integrated income management,
- strengthening of environmental and social safeguards, and
- strengthening of transparency, oversight, and accountability mechanisms.

The Bank is moving in the right direction on sure footing. But we also know there is room for improvement. These areas must be addressed and are fixtures of our work agenda going forward.

In some areas, this involves refinements to what has been done; in others, further review or reformulations are required to ensure the desired impact, while lowering institutional costs.

For example:

- Although substantial progress has been made on implementation of the Corporate Results Framework, additional efforts are needed to simplify it and foster a greater sense of ownership within the institution.
- We also need to continue improving the management framework for technical cooperation and knowledge products.
- The evaluation of the Bank’s support for Haiti emphasizes the substantial effort and commitment of the Bank and its partners to the country. The challenges remain daunting, so the evaluation findings are central in guiding our work moving forward.
- Thus, top priorities in designing and implementing our program in Haiti will be project quality, local capacity-building, and the country’s absorptive capacity.

- We regard the Independent Consultation and Investigation Mechanism as a valuable tool to ensure that the Bank's activities remain socially and environmentally sustainable. For that reason, we share the view of the Board of Executive Directors, that its structure and processes should be adjusted so the mechanism can perform its role more effectively and efficiently.
- Clearly, the macroeconomic sustainability assessments have been one of the most difficult mandates to implement. The Board of Executive Directors has therefore established a task force of Executive Directors for borrowing and nonborrowing member countries, the Vice President for Countries, and the Vice President for Sectors and Knowledge, which will develop proposals to address OVE's recommendations.

OVE also emphasized the need to rethink our approach to development support through non-sovereign guaranteed lending.

In these and other recent evaluations, OVE has cited a need to make the current private-sector windows more effective and efficient, and proposed exploring structural adjustments to enhance integration, lower costs, and promote synergies.

These explorations link up with our discussions, already under way, on the additionality, priority, and scope of our private-sector work.

We know the private sector is a critical partner for the region's development, which is why we adopted an approach with the Ninth General Capital Increase to maximize the development contribution of private-sector activities. We stepped up non-sovereign guaranteed operations and promoted a broader sector framework and greater coordination among the various windows.

We certainly wish to continue with implementation of this commitment. However, in day-to-day operations, we see limits to what the current model can deliver.

Given structural and financial constraints, it is difficult to sharpen strategic focus, enhance development contribution, and optimize the use of Bank resources for private-sector work.

The current structure limits what role the Bank can play, among other things, to attract more and better private investment to the region.

We know, as OVE states, that the status quo should not be an option. For that reason, we have circulated a proposed resolution for your consideration, incorporating your suggestions, that will enable us to work this year to address OVE's diagnostic assessment.

I would therefore ask the Chairman to add that resolution to the ones being considered by the Governors at the second plenary session of the Annual Meeting this afternoon.

As a multilateral development bank, the IDB is called upon to play a leading role in helping the private sector undertake projects that contribute decisively to sustainable growth and social inclusion.

We need an integrated vision and operational structure that leverage synergies and efficiencies to enhance our relevance. This renewed vision will also have to establish business priority areas, an eligibility framework that maximizes development effectiveness, and a way of working that facilitates the introduction and use of new equity instruments such as shareholdings, local currency financing, and access to the non-sovereign guaranteed window for subnational entities.

We want to continue with implementation of the commitment to ensure that the private-sector work of the IDB Group maximizes our impact on the region's development.

This is essential, to effectively support a region that is growing, progressing, and seeking more and more innovative solutions to its development challenges.