



**ANNUAL MEETING OF THE BOARDS OF GOVERNORS**

**COSTA DO SAUÍPE, BAHIA, BRAZIL**

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*Statement by the Governor for Belize,  
on behalf of Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua*

*Dean O. Barrow*

1. On behalf of the Governments of Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, I want to convey our most sincere gratitude to the people and Government of Brazil for the warm welcome and the generous hospitality they have shown us as hosts on the occasion of the 2014 Annual Meeting of the Boards of Governors of the Inter-American Development Bank and the Inter-American Investment Corporation.
2. The moderate growth experienced in Central America in 2013 is a clear indication that our region continues to feel the effects of the financial crisis. During the said crisis, our governments had to maintain social expenditures, and now they face the need to promote investment, both public and private, to enhance our domestic capacity to respond effectively to the uncertainties and loss of dynamism of the global economy. The many challenges that our region confronts require an increase in development financing in order to advance towards a path of sustainable economic growth.
3. Our prospects for the years ahead are promising, especially as we move towards integration to help attract foreign direct investment. Our countries are also continuing to focus on poverty alleviation in order to reduce inequity and therefore promote social stability. We have witnessed and have been part of the natural evolution of this multilateral organization, and we have benefitted from its responsiveness to the needs of borrowing countries. The IDB is especially relevant for the smaller, more vulnerable economies of the region. We expect all partners in the Bank to remain fully committed to our development mission.
4. The IDB plays a catalytic role in our Central American region as one of the main strategic partners for fostering development. Our governments count and depend on the continued access to IDB funds for financing. We believe that it is important for the Bank to continue reviewing how it engages with our countries, and also to recognize the

importance of this dialogue for the strategy and programming exercises with our governments. In that context, the Bank's programming exercise agendas should be geared to support the countries' own strategic focus, including the stimulation of private sector effectiveness in the region. As the Bank prepares to engage in its dialogue with the governments of three countries in our constituency, the aforementioned will be particularly important.

5. We take this opportunity to reiterate the need to develop and implement mechanisms to help streamline disbursements so as to enhance efficiency in project execution and subsequently improve loan performance of our countries' portfolios. The implementation of innovative, flexible financing instruments and approaches not only allows our countries to make more effective use of the Bank's limited financial resources but also demonstrates the increased role of the IDB in addressing the needs of its borrowing countries.

6. In the context of this Annual Meeting, we have concerns about the capital solvency of the Bank, including capital requirements for the private sector and the replenishment of the Multilateral Investment Fund (MIF) and the Fund for Special Operations (FSO).

7. It is imperative to continue discussions on the current financial situation of the IDB in order to address the changing requirements of our global environment. We recognize that major changes have taken place in the global financial environment in recent years. As a result, new risk management policies are called for in order to preserve the soundness of all financial intermediaries, including multilateral financial organizations.

8. The new risk assessment methodology for international financial institutions introduced by Standard & Poor's in 2012 suggests there is need to revise the future financial needs of our Bank. It implies that the IDB's future capital requirements, to be able to absorb eventual external shocks, must be revised in order to maintain our 'AAA' rating. Our Governors agree that in order to safeguard the current rating, it is essential to determine the amount and the adequate timing of capital requirements.

9. Also important is the need to ensure that the Bank has the capacity to play a countercyclical role for the region when needed. To this effect, we call upon this Board of Governors to ask the directors and the management to envision, design and propose an instrument that will serve this purpose.

10. Over the years Belize and the Central American countries have consistently supported the Bank's efforts to expand its operations with the private sector in the region. We therefore welcome the efforts of the Bank to strengthen the private sector so that it can promote more equitable and inclusive growth. Fostering small and medium-sized enterprises in the region is vital for job creation and economic growth. It is also important to promote public-private partnerships if the region is to increase economic growth in our countries, alleviate poverty and address social inequity. The IDB is also a key institution when it comes to supporting, designing and negotiating private partnerships.

11. The Central American countries are ready to make a difference. While we agree that the private sector reform will lead to a better coordination and growth of the private

sector windows of the IDB Group, it is also important to consider the financial constraints of the Bank. Our region's ability to make an informed decision and to contribute to the initiative can only be achieved after careful consideration of a timeline that is consistent with the different parallel discussions of capital requirements to address the issues of risk, the replenishment of the Multilateral Investment Fund and the Fund for Special Operations.

12. The Central American region is pleased and satisfied with MIF's work in the region. We consider that the nature of MIF must be safeguarded and we believe that it should continue without interruption. We place particular emphasis on the discussion underway relevant to the Multilateral Investment Fund, and in which we want to ensure that the third replenishment is carried out simultaneously with the issues of the private sector and risk. In this regard, we support a Governors' mandate to advance with the negotiations, and ensure MIF's programmed operations through 2016 by proposing interim financing options until an agreement on the private sector reform is achieved.

13. Considering that our constituency has two FSO beneficiaries, the current financial scenarios indicate that the FSO resources will become insufficient in the next few years. It is therefore necessary to initiate a process to appeal for more capital to ensure the sustainability of the FSO in the medium term, as mandated by the Ninth General Capital Increase. We request the support of the Board of Governors to urge the directors and management to quantify these financial requirements and propose a resolution for the Governors' consideration in 2015.

14. Our Central American region faces many challenges and if we are to bring about sustainable economic development, continued dialogue and collaboration with partners like the IDB will remain critical as we strive to overcome these challenges.