



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

COSTA DO SAUÍPE, BAHIA, BRAZIL

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Statement by the Temporary Alternate Governor for the Netherlands

Jacob A. Rooimans

1. On behalf of the Government of the Kingdom of the Netherlands, and more in particular on behalf of Minister Lilianne Ploumen, Governor of the Inter-American Development Bank for the Kingdom, I would like to express my deep appreciation to the Government of Brazil and the people of Bahia for their warm hospitality.
2. The private sector is playing a crucial role in achieving sustainable and inclusive growth in the Latin American and Caribbean regions. After all, about 90% of jobs in the regions are created in the private sector. Against this background I will use this statement exclusively for a number of comments on the on-going Private Sector Reform.
3. At the 2013 Annual Meeting in Panama Governors determined the mandate to start the process of working on re-defining the IDB Group's engagement with the private sector. We welcomed in particular the GCI-9 Agreement to increase the private sector activities of the IDB Group through a US\$500 million capital transfer from the IDB to the IIC and raising to 20% the part of IDB equity set aside to enable IDB to increase lending levels of private sector operations.
4. Since Panama a lot of work has been done and an important milestone was the Special Meeting of Governors on October 10, 2013 in Washington. In Bahia Governors have the opportunity to discuss where we stand in the process, based on the report to Governors from the Ad Hoc Committee on the Private Sector containing an in-depth analysis of the merge out decision for all the IDB Group's private sector activities.
5. Reaffirming our commitment to strengthening the IDB Group's private sector activities in accordance with the Cancún Declaration, the Report on the Ninth Capital Increase, and the Panama-Mandate, the Kingdom of the Netherlands acknowledges the progress the Bank has made over the past twelve months.

6. From early feedback we received from various private sector companies, we understand that it is of prime importance to have a dedicated entity that focuses on private sector operations.
7. We welcome the final version of the Renewed Vision Merge-Out High Level Implementation Plan. In particular we appreciate the strategic selectivity, systemic impact approach, development effectiveness and most of all the emphasis on the need to mobilize more private capital for development in the regions. Having said that, we remain to be convinced that the operations of the consolidated private sector entity, which we might call IIC+, could not start in a credible way without additional shareholder capital. We note that the growth of private sector operations as agreed in the GCI-9 by far has not been implemented yet. Furthermore, we think that there are various ways to make an even more efficient use of the existing capital base. Firstly, Governors should avoid giving IDB a role in providing counter-cyclical budget support to its borrowing member countries. In our view IDB should stay away from this kind of assistance, and avoid overlap with IMF assistance to developing member countries for that purpose. Secondly we would appreciate if IDB could explore the pro and cons of setting up an Asset Management Company by the new IIC+ entity, following the example of IFC.
8. With respect to the organizational set-up, we believe that some of the recommendations formulated by OVE, and agreed by Management, on the basis of the recent evaluation of the realignment process could be taken to heart by Management. These recommendations include enhancing the country focus, strengthening the cross-sectoral collaboration and increasing delegation of authority to the field offices.
9. We recognize the value of the MIF for sustainable poverty reduction and stimulating innovation. We support preparations for the negotiations for MIF replenishment, while respecting donor rights. However, we do agree that the discussions on the Private Sector Reform and MIF replenishment should go hand-in-hand, taking into account the decisions relating to the capitalization of the IIC+.
10. We would like to stress that safeguarding of the current credit ratings of the IDB Group remains of the utmost importance, in line with commitments in the GCI-9. We note that if the IDB Group were to face a trade-off between lending to the public sector versus lending to the private sector, priority should be given, in our view, to private sector lending.
11. We are confident that the Resolution we will agree on in Bahia on the Renewed Vision for the IDB Group Private Sector Merge-out High Level Implementation Plan and MIF Replenishment will be very useful in keeping the desired momentum in the Private Sector Reform process. We are looking forward to taking further steps towards the start of the operations of the IIC+.
12. Finally, I would like to thank staff and the IDB Group's Management together with President Moreno for their firm commitment and dedicated work in continuing to build an even more efficient and better Development Bank for the Latin American and Caribbean regions.