



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

COSTA DO SAUÍPE, BAHIA, BRAZIL

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Statement by the Temporary Alternate Governor for France

Arnaud Buisse

1. On behalf of the Governor and of France, we would like to thank Brazil for its wonderful welcome and this excellently organized event.
2. The midterm review of the commitments of the Ninth General Capital Increase, conducted by the Office of Evaluation and Oversight, indicated the extent to which the mechanisms and current structure of the IDB Group had reached their limits. The various private and public sector windows of the IDB find it difficult to coordinate effectively, seize the opportunities that come their way, or generate synergies.
3. Based on this finding, the Governors of the IDB and the IIC and the MIF Donors Committee made the decision at the Annual Meeting in Panama to review the IDB Group's system for support to the private sector. At the Special Governors' Meeting held in Washington in October 2013, a majority supported consolidation via a "Merge-Out." Regardless of any decision, therefore, this reform was to be at the heart of our discussions this year.
4. Like so many others, France believes that this is essential and must happen. Thus, we fully support the principle and hope that these discussions can be successful.
5. Based on the mandate and common objectives endorsed in Cancún on increasing the share of approval volumes going to the private sector, and more generally on the Better Bank Agenda, this reform will make it possible to create more synergies and to increase the leverage effect across the Group.
6. Under the direction and guidance of the Ad Hoc Committee, the teams and Management have put considerable effort and thought into outlining the contours of this reform. The fruits of this work represent progress that should be commended and provide a good starting point: the three pillars and the five sector priorities of the Renewed Vision, the new Development Effectiveness Framework and Corporate Results Framework, the creation of strategies and one-stop windows for national private and

public sectors, and the portfolio rather than individual project approach are the most important accomplishments of this work.

7. However, if we are to implement this vision and create a fully integrated, more effective, and more efficient structure, we must, nonetheless, since we did not elect a gradual approach, be prudent in our choices because we have no margin for error. As of now, the Renewed Vision is still too general, and the findings of the next review of the Bank's capital adequacy framework have not been validated. Under these conditions, a decision to launch consolidation operations or capitalization would today mean taking an unreasonable risk. This is why the work must continue. The independent external review of these decisions will help us to quickly bring the process to a conclusion, as will the Governors' involvement and the level of detail in the proposals that will be put to us.

8. We look forward in particular to measures that will allow for substantially increasing what is now too small a number of public-private partnerships, and improving service and support for the Group's different private clients over the entire project cycle, so as to generate more impact in all countries, especially the poorest. From a financial standpoint, existing resources should be better utilized, new financing should be sought, and the final arrangement should ensure the financial stability of the four current windows. France, including the AFD group, will stand ready to lend support in this process. The MIF should be fully integrated into this reform, and an interim financing solution should be found, without sapping the present or future resources of the most vulnerable members of the Group. The supervision, integrity, and oversight functions should be harmonized and, when necessary, brought into line with the highest standards. France will seek in particular to ensure that this reform provides an opportunity for updating the Group's policy with regard to noncooperative jurisdictions.

9. Private sector reform should remain an integral part of the ongoing implementation of the recommendations from the Ninth General Capital Increase. This challenge must not cause us to forget that the IDB is now operating in a more complex global context:

- In France, as in many other countries, cutting the budget deficit means stricter requirements as regards the use of public funds, and the funds allocated to official development assistance are not exempt from this rule. Existing expenditures and, even more so, any new commitments must be fully justified in terms of outcome, value added, and transparency. Despite these constraints, the richness of our bilateral cooperation with the IDB, reflected in the growing importance of the partnership and cofinancing with the AFD group, as well as our past timely financial contributions for the entire Group, demonstrate our commitment to the IDB.
- The international economy is slowly emerging from the crisis that led to capital increases at the principal multilateral development banks, but the region is going through a marked slowdown, the origins of which are varied. From a structural standpoint, the productivity gains have proven to be weaker than in other zones. In a context in which additional financial contributions will be difficult to raise, the IDB will have to optimize the utilization of its existing capital by encouraging savings where possible, attracting more external capital,

and allocating its resources so as to enhance its rating. With the revised methodologies of the rating agencies, it is now clear that concentration risks will have to be reduced through both more prudent, better targeted policies and the implementation of suitable instruments. The process of determining the Bank's capital adequacy level will be essential. With respect to loan portfolio exposure, France stands ready to continue its support for the discussions now under way regarding debt swaps among multilateral banks.

- Lastly, the IDB is also operating in an increasingly competitive environment with many other donors. Volume alone is no guarantee of quality. The future of the IDB as a leading institution will inevitably depend on how it stands out for the quality of its offerings and its ability to partner with different donors. In future, what the IDB Group offers must be structured on the basis of a medium- and long-term forward-looking approach that avoids successive ad hoc solutions, paying greater attention to the varied expectations of all its members and relying still more on best practices.

10. The Renewed Vision for private sector activities must now be rounded out, refined, and a strong case made by detailing the tangible steps to address the problems we face in a clear and structured way. It is also our responsibility to control the costs and risks associated with these changes. The success of this reform, which we endorse, is essential so that the IDB Group can fully play its role in private sector development in the countries where it operates.