INTER-AMERICAN DEVELOPMENT BANK INTER-AMERICAN INVESTMENT CORPORATION

ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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Statement by the Temporary Alternate Governor for Austria

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1. We would like to begin by expressing our sincere gratitude to the Korean authorities for the invitation to this IDB and IIC Annual Meeting in Busan, for the excellent organization and for the warm welcome and hospitality they have extended to us.

2. In this past year since we all met in Bahia, the Bank has passed a number of crucial and also difficult reforms that are meant to increase the Bank's accountability, transparency, sustainability, effectiveness and relevance in times when most of the Bank's borrowing and non-borrowing member countries still face very difficult economic conditions. We would like to commend Management for its leadership in the course of these reforms and for the openness to adapt to the Bank's member states' requirements and constraints while at the same time pursuing the particular interests and needs of the Bank. But we would also like to express our appreciation for the extensive work of our colleagues at the Board of Directors who managed to achieve sensible results in the context of very difficult negotiations.

3. Out of these reforms we would like to pick here just a few and start with the reform of the Capital Adequacy Policy. Again, we would like to commend Management for being one of the first Multilateral Development Banks that reacted to the new methodology applied to MDBs by rating agencies and proactively sought to guarantee a sound and sustainable financial standing of the Bank for the years to come. Given the already mentioned difficult and yet uncertain economic conditions, this exercise has not been easy and needs to be completed by the still pending new Income Management Model and the revision of the 2015 Long Term Financial Projections. We believe it is crucial to preserve the AAA rating of the IDB and we also think that the Bank needs an adequate buffer to make sure it continues to be relevant for the region in the event of a crisis. At the same time though, there are other factors that need to be considered when looking at the Bank's Capital Adequacy. Some of these factors, such as the risks related to unlimited country lending portfolios, have already been addressed. Others, like the

Bank's administrative costs including the salary scheme, still need some adjustment. But, most importantly, when pursuing the merge-out, we need to make sure that both the IDB and the IIC maintain the sound financial setting that corresponds to the recently approved Capital Adequacy Policy and that the Bank does not lose sight of its mandate, which is to reduce poverty in Latin America and the Caribbean.

4. The most important reform of the Bank Group that we embark upon now concerns the reform of the private sector operations. We would like to emphasize that we support the consolidation of the private sector windows of the Bank Group. At the same time it must also be mentioned here that the price for the reform that needs to be paid by all members of the Bank is high and it is a bitter pill to swallow that the capital increase will not lead to increased lending in the short and medium term. Therefore, it is even more important that the merge-out delivers on its promised results: increased synergies among the various private sector arms that lead to efficiency gains, stronger coordination between public and private lending, substantially increased mobilization of third party resources and last but not least, improved development effectiveness. Also, we would like to emphasize once more that the reason for this reform is to strengthen the IDB Group and its interventions and make sure it continues to be a relevant partner for its regional clients. The crucial next steps will now be to translate these targets into a multi-year business plan for NewCo and a robust Results Framework for the entire IDB Group that adequately measures NewCo's development impact. In addition, we would also welcome an independent review of the merge-out that includes the evaluation of the said development targets after the completion of the first multi-year business cycle.

5. On the Institutional Strategy Update, we appreciate the extensive and participatory process that has been followed, the analytical nature of the paper and all the effort that has gone into it. Still, in our view, there is no clear vision for the future role of the Bank in the landscape of development finance in the region. The paper falls short on the requirements for a strategy and on the expectations we have for the Bank to position itself to not lose its relevance for the region amid various other public and private actors. We would have liked the document to address where the Bank wants to be in the medium term, where it needs to focus and who would be its main partners on that journey. We would encourage the Bank to correct this missed opportunity and address these issues in a specific Action Plan for the Implementation of the Institutional Strategy Update.

6. Finally, we would like to conclude by congratulating and thanking the President, Management, the Board and Staff for the tremendous work that was done this year, particularly with respect to the implementation of a very challenging reform agenda. The continued efforts to look for ways to improve the Bank's performance and therefore yield better results for the men and women in Latin America and the Caribbean is what has the potential to make the IDB stand out from other actors.