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Statement by the Temporary Alternate Governor for the United States of America

Marisa Lago

1. On behalf of President Obama and Treasury Secretary Lew, I would like to thank our Korean hosts for their warm hospitality. Treasury appreciates the welcome and the productive discussions that we have every time that we visit Korea. The meetings this week have provided another opportunity to broaden the deep relationship between our countries.
2. I would also like to thank President Moreno, Executive Vice President Katzman, Management and staff, the Board of Executive Directors, as well as my fellow Governors, for their continued work to carry forward the reform agenda of the Ninth General Capital Increase. We can see the results of this work in the enhanced impact and effectiveness of the Inter-American Development Bank (IDB), and its continued role as a crucial development partner for the Western Hemisphere.
3. The United States considers the IDB as a lynchpin for economic engagement with the Western Hemisphere. We congratulate President Moreno for his strong vision and commitment to place this institution where it belongs, at the center of hemispheric priorities. Let me share three examples.
4. First, the IDB has been fundamental to the Northern Triangle's Alliance for Prosperity. The United States is committed to working with partners to support these countries' efforts to depart from business as usual and embark on a serious new effort to deliver opportunity and security to their people who ask for, and deserve, a better future. As Vice President Biden recently said, "The challenges ahead are formidable. Solving them will take years. But Central America's leaders have now laid out a shared plan to move their region forward and taken the first steps to make it a reality. If they can deliver, Central America can become the next great success story of the Western Hemisphere."

5. Second, the IDB's analytic work and its policy engagement have been a much welcome contribution to efforts in the Caribbean region to strengthen energy security, including through the development of renewable and cleaner sources of power.

6. Third, the IDB is making a meaningful contribution to the upcoming Summit of the Americas, including through engaging with the private sector to best ensure that the Hemisphere's Leaders engage on a sustainable growth strategy that will carry the region forward in an environment of weaker commodity exports.

Regional Economic Developments

7. Since we met in Bahia last year, the regional economic outlook has shifted significantly. The sharp fall in the terms of trade for the region's commodity exporters has introduced economic challenges, even while stronger growth in the United States is pulling forward those countries with which we enjoy meaningful trade linkages.

8. Notwithstanding these challenges, many countries in the region have made impressive progress over the past 15 years in building their middle classes and making inroads against poverty. A key challenge now will be to adapt to the changing economic conditions in a way that allows countries to maintain these gains while creating new opportunities for economic development. Governments will also need to continue making progress on critical reforms and investments—in areas such as improving the business climate, strengthening educational and health outcomes, and meeting key infrastructure needs—to provide the framework for stronger and more sustainable growth in the future. This confluence of challenges will require proactive policy measures, flexibility, and continued efforts to enhance regional economic integration. The IDB has an important role to play in partnering with its members to support these efforts.

Follow Through on Policy Priorities

9. Supporting Haiti in its efforts to enhance institutional capacity and move from recovery to sustainable growth and job creation remains a critical shared priority for the United States and the IDB. The IDB—as a collective of countries that work with Management—has a crucial and ongoing role as a reliable development partner for its only low-income member. Therefore, the United States reaffirms the importance of the IDB's annual transfers of net income for the Haiti Grant Facility. It is also important to highlight the gains achieved by the Haitian government and the IDB in improving project execution, allowing for increased disbursements that can help speed the transition from recovery to long-term development.

10. An additional priority that we all share is bolstering the financial strength of the IDB so that it can maintain its vital role in supporting the region's development. We welcome the recently approved capital adequacy policy as well as the introduction of country prudential limits. However, we underscore the work still ahead to fully complete these achievements, notably the revision of the Income Management Model to operationalize the new capital adequacy framework, safeguard the IDB's credit rating, and ensure prudent management.

Private Sector Reform

11. The United States has consistently supported a comprehensive reform of the IDB's private sector activities, with the goal of making the IDB Group a more attractive

and efficient business partner that delivers positive, sustainable development outcomes through its support to the private sector. Critical elements of the reform, in our view, are strong efforts to improve development effectiveness, assurances that effective oversight mechanisms and environmental and social safeguards will remain in place, and procedures to improve coordination between the sovereign and non-sovereign lending of the IDB Group. We appreciate that all of these elements are addressed in Management's proposal, and we will be looking to the Board of Directors to continue to oversee the implementation of these very important elements.

12. At our meeting last year in Bahia, we considered the "Renewed Vision" presented by Management. Governors directed Management to develop organizational and capitalization proposals for a consolidation of the IDB Group's private sector activities. In doing so, we asked for the revised capital adequacy policy to be adopted, which occurred a few short weeks ago and now needs effective revisions to the Income Management Model to complement it. We asked for a credible independent analysis of the financial implications of the proposal, which we received. Finally, in Bahia, we asked for a capitalization plan for Governors to consider, if new capital proved to be necessary, that identified credible sources of capital in an era of highly constrained resources. The resources within the IDB that are currently dedicated to private sector activities are the key source of capital now that those activities will be carried out by the consolidated entity in the future.

13. In considering the decisions that we will make during these meetings, the United States places a high priority on maintaining the AAA credit rating of the IDB, as well as avoiding an adverse impact on the level of IDB sovereign lending. In addition, as a proud regional member of the IDB Group, the United States seeks to remain a significant, active, and engaged shareholder in the Inter-American Investment Corporation (IIC). We need a clear picture of the financial implications of the important decisions under consideration to properly balance among these priorities and make a decision that is sound for the IDB, the countries it serves, and its shareholders.

Multilateral Investment Fund

14. We welcome upcoming discussions of how the Multilateral Investment Fund (MIF) should best fit into the new context of the IDB Group's private sector activities. The first step will be for the Donors Committee to extend the MIF II Agreement past the end of this year. This will allow us to consider the best way to ensure that the MIF maintains its hallmark characteristic as a laboratory for innovation and experimentation. Once the MIF II Agreement has been extended and the implementation path for an expanded IIC/NewCo becomes clearer, we look forward to working with other Donors to consider the full range of options for the future of the MIF, including continuing as a trust fund administered by IIC/NewCo or through partial or full integration with IIC/NewCo. A path to financial sustainability will be important for all of the options we consider.

Conclusion

15. As the update to the Institutional Strategy points out, this dynamic and diverse region faces interrelated and multi-faceted challenges. We look forward to working in concert with all of the shareholders and IDB Management to enhance the IDB's role as a strong, effective, and valued development partner for the region.