



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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Statement by the Governor for Switzerland

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1. On behalf of the Government of Switzerland, I would like to extend my gratitude to the Government of South Korea and the authorities of Busan for their excellent and generous arrangements and their warm hospitality.

Private Sector Reform to Improve Effectiveness and Efficiency

2. The reform of the private sector has been a major challenge for the IDB for more than a decade and I would like to thank IDB's Management and the Chairman of the Ad Hoc Committee of the private sector reform for their dedicated work.

3. Switzerland welcomes that the IDB's Management with the support of consulting firms has elaborated an improved organizational structure and proposed different scenarios on how to capitalize the new organization.

4. We note the advantages resulting from the proposed private sector reform such as synergies and efficiency gains, increased capacity to mobilize third party funding and improved coordination among the four private sector windows. Most importantly, we expect the reform to result in higher development impact and development effectiveness, which ultimately leads to reduced poverty and more equality in Latin America and the Caribbean.

5. On the other hand, some doubts remain. First, shareholders must pay additional capital into the IIC. We are concerned that this capital injection will not lead to higher lending volumes and equity investments. Second, after almost two years of discussion, we still do not have more clarity on the MIF's future and how it will fit into the IIC framework.

6. Switzerland supports the private sector reform, if the majority of Governors is of the view that the proposed merge-out is in the best interest of the IDB Group, its clients and in particular its beneficiaries in Latin America and the Caribbean. Switzerland encourages the transfer of capital from the IDB to the IIC given that after the merge-out

the capital, which currently finances the IDB's NSG lending, will be freed up. In regards to fresh capital contribution, Switzerland is willing to consider it.

7. Switzerland would like to stress that development effectiveness, development impact, additionality along with good governance, operational efficiency and financial strength must remain key principles and objectives of the whole IDB Group.

Financial Policies to Safeguard Financial Strength

8. For Switzerland, the AAA-rating is a key condition of the IDB's Business Plan. The IDB should promote sustainable development not only in good but also in difficult times. It can only effectively play its role as a lender of last resort with a strong credit rating. Against this background, we welcome the recent and ongoing reviews of several financial policies, in particular the IDB's capital adequacy policy.

Tackle Key Challenges of Latin America and the Caribbean

9. Despite the achievements in reducing inequality, Latin America and the Caribbean continue to be the most unequal region in the world between and within its countries. Furthermore, the gender equality gap has not narrowed at the pace of other regions. Moreover, citizen security has been threatened by a surge of organized crime and violence in some countries, and civil service capacity needs to be further developed to eradicate corruption. In addition, progress in environmental sustainability and institutional development have not kept pace with other regions.

10. Switzerland welcomes that these and other complex challenges are addressed in the IDB's updated institutional strategy. Of most importance is the work on social exclusion and inequality, low productivity and to address these in a more innovative and tailor-made response according to each country's different capacities. Switzerland also sees the IDB as a key driver for the promotion of economic integration and trade in Latin America and the Caribbean. The Bank has a great opportunity to increase intraregional trade, promote the private sector and foster greater convergence between the main regional frameworks that exist today.

11. Switzerland would like to encourage the Bank to highlight its comparative advantages more specifically and to tailor its products and services more precisely to ultimately improve the lives of people in the region today and in the years to come. For Switzerland comparative advantages of the IDB are:

- First, the Bank knows the region. It is well positioned to anticipate challenges and propose innovative and especially client-centered approaches to promote partnerships and exploit synergies between the public and private sector.
- Second, the Bank has a reputation in the region as an honest broker and can play a critical role in the region using its convening power to bring different parties to the table.

12. The Bank should support countries specifically in the implementation of institutional reforms with a long-term vision to provide stability, transparency, and good governance and avoid the so called "middle-income trap" as mentioned during the Annual Meeting 2014 in Bahia (Brazil).

13. Climate change will have a particularly deep impact on ecosystems and human lives in Latin America and the Caribbean. It is absolutely necessary to fiercely tackle the issue of climate change and Switzerland commends the IDB for its engagement in the areas of climate change adaption and mitigation, reducing carbon emissions and fostering climate financing.

14. Switzerland welcomes the Bank's role in Haiti with its long-term commitment and is very much engaged in this country itself. We see the Bank's efforts in accompanying the institution-building. At the same time, Switzerland would like the Bank to play a stronger role in fostering donors' coordination and would like to invite the Bank to explore more South-South and Triangular Cooperation.

15. It is important for Switzerland that the IDB's Corporate Results Framework further specifies the objectives of the updated Institutional Strategy and connects the IDB's endeavors with the broader agenda of the UN Sustainable Development Goals (SDGs). Switzerland supports the Bank in its effort to actively coordinate and translate the management of global public goods into targets and interventions at the country level, which is one of the key development milestones of the SDGs.

16. In any case, the GCI-9 objectives remain crucial for Switzerland: increasing growth and reducing poverty while addressing the special needs of the less developed and smaller countries and fostering development through the private sector.

Concluding remarks

17. Switzerland would like to point out IDB's leading role with regard to the ongoing discussion on the SDGs and its valuable contribution with regard to the Post-15 Financing for Development negotiations. IDB can play a major role with regard to domestic resource mobilization, enhancing the impact of the private sector, infrastructure financing and increasing financing for climate change and resilient development.

18. In closing, I would like to thank the IDB's President, Management and Staff for their firm commitment and dedicated work to continue building a more efficient and better Bank to the benefit of Latin America and the Caribbean and its people.