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**ADDRESS BY THE TEMPORARY ALTERNATE GOVERNOR FOR THE NETHERLANDS
AT THE THIRD PLENARY SESSION**

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1. I would like to take this opportunity to thank the Brazilian government, the Ceará government and the people of Fortaleza for hosting this 2002 Annual Meeting of the Inter-American Development Bank Group. It is a pleasant change to move from the windy North Sea coast to the tropical beaches of Fortaleza.
2. In my address, I will focus on two issues: the role of the private sector in development and development effectiveness. First, however, I would like to start with a little bit of history.
3. In a way, I feel at home here because, as some of you may know, this is a region with which the Dutch have some important historical ties. In the 17th century the Dutchman 'Maurício de Nassau' was Governor of this part of Brazil for the Dutch West India Company. Here in Fortaleza this private company built the Fort Schoonenburgh. I was told that in Brazil Maurício is still remembered for his progressive policies. Maurício protected the interests of the local people, made them participate in the public administration and stimulated the development of the North Eastern region. Unfortunately, his governorship did not last long. It was because of Maurício's long term vision for Brazil and his negligence of the short term profit demands of the Company that the Company sacked him and forced him to go back to the Netherlands.
4. The story of Maurício shows us that the private sector can play an important role in development, and that, in this respect, a long-term vision is crucial. It also shows that adhering to a long-term vision is not always an easy task.
5. On the issue of private sector, we all know that this sector plays a crucial role in the development of a region or a country. The private sector creates the bulk of economic growth. Private firms and entrepreneurs operating in competitive markets generate jobs, contribute to income growth and alleviate people from poverty. But of course it is important that the right conditions are created for the private sector to operate in competitive markets.

6. Competitive markets suppose the creation of a level playing field for firms of all sizes in which there are well-defined property rights and a sound judicial and contracting system. Also, a good physical infrastructure and a well functioning financial sector need to be in place. And, of course, the interaction with the government and the public sector is important: good governance, macro-economic stability and a reasonable level of quality of and certainty about government policies are all vital. Such policies should include measures to protect the weakest parts of society.

7. Competitive markets should also exist on the international level. International trade is, just as national trade, essential for sustainable growth and poverty reduction. It generates earnings which in turn create new jobs and new investments. For international trade to flourish, trade liberalisation in both developing and developed countries is therefore a crucial element. Trade barriers, be they tariff or non-tariff barriers, should be abolished.

8. In our view, the Inter-American Development Bank has an important role to play in the development of the private sector. It can and should contribute to develop an enabling environment, both through lending and technical assistance. In doing so, the Bank should always bear in mind not to overstretch itself: financial soundness is of crucial importance to the Bank and having the right knowledge skills is no less important. Competitiveness and economic growth — and I would like to stress inclusive growth — are two elements of the institutional strategy the Governors agreed upon last year. On these issues, we believe that the report of the External Advisory Group can help to implement the institutional strategy, although some of its suggestions need further discussion.

9. I would like to turn now to the issue of development effectiveness. The OVE report reveals a difficult reality. After more than four decades of development cooperation still differences of opinion exist about what development is. However, the goal of development cooperation is in our view beyond any doubt. Development should first of all result in poverty reduction. We want the Bank to continue working on this objective.

10. It goes without saying that the policies of the IDB on poverty reduction should be effective. An increasing number of countries, including the Netherlands, are aware of the importance to measure the results achieved. Taxpayers around the world, who are in fact also shareholders of this Bank, must be able to see how their money is spent, and what results have been achieved with that money. Therefore, we strongly support measures to increase the development of indicators and evaluable projects.

11. This drive for results-based management should be incorporated in all the activities of international financial institutions. This means setting measurable targets and establishing performance indicators in order not only to know the results at the end of a project or program, but also to monitor projects and programs in execution. In that way possible deviations can be corrected timely.

12. In order to achieve this, the Bank needs a change in thinking. All players in the Bank must get used to think in terms of results. In the Dutch budget process we say it is all about the following three questions:

- What do we want to achieve?

- How much can we spend on that?
- What are we going to do to achieve it?

13. A change in thinking means also a change in organizational culture: from an input-oriented organization to an output- and outcome-oriented organization. We believe that implementation of the recommendations of the Development Effectiveness report, including the idea to modify the Bank's incentive system and the establishment of a Development Effectiveness Assessment Unit, will be a step in the right direction.

14. For this process to succeed, it is important that it is not just the Bank that changes its culture. In this field the element of 'ownership' is vital: borrowing countries should underwrite this approach, so that, ideally, they will carry out effectiveness evaluations themselves as well. In this respect, the PRSP-approach offers a good opportunity, since in this approach clear development targets have to be defined. This is of great importance both for the country and the IDB, as it ensures that poverty reduction will be measured and evaluated.

15. In conclusion, since the days of Maurício de Nassau, the continent has developed enormously, but still great challenges lie ahead. Through the involvement of the private sector and through effective development policies, amongst others, the IDB will continue to play its role in addressing these challenges together with other multi- and bilateral donors. At this point, I would like to express the Dutch commitment to the development of the Latin American and Caribbean region.