



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

FORTALEZA, BRAZIL

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**ADDRESS BY THE ALTERNATE GOVERNOR FOR SWEDEN
AT THE FIFTH PLENARY SESSION**

Ann Uustalu

1. Let me start by joining others in thanking the authorities of Ceará and the city of Fortaleza for the excellent organisation of this annual meeting. It is a true pleasure to be here in Brazil, enjoying your pleasant atmosphere and hospitality.
2. I would like to offer a few comments on some of the main themes addressed in this annual meeting which are of particular importance to us. These are related primarily to the discussion of the Bank's future role and the issue of development effectiveness. I will also touch briefly on the upcoming conference on Financing for Development to be held in Monterrey next week.
3. Looking back on events during the past year provides a very mixed picture of the economic and social progress in Latin America and the Caribbean. The international, regional and national environments in which the Bank operates are continuously changing. As recently shown by developments in various parts of the region the conditions range from relatively stable growth in some countries to economic crisis or natural disaster in others.
4. As the most important provider of developing financing in Latin America and the Caribbean, the IDB is a key partner in addressing these diverse situations and we strongly support it in this role, both as a source of capital and owing to its thorough knowledge and experience of the region. The Bank needs to continuously adapt to changing circumstances. We welcome the decision on the new lending framework, which should go a long way in responding better to the needs and development challenges of the countries concerned. We also see the need for further discussions on the Bank's future role, starting out from the report by the External Advisory Group. In this context, a crucial question is how the IDB can contribute to higher growth and a strengthened private sector in the Region.
5. Just a few years ago there was a general optimism about the flow of private capital for advancing the social and economic development of Latin America and the Caribbean. We have since then seen how financial crises and a general slow down of the global economy have had a major negative impact on the confidence of investors. It is important to discuss

how this sensitivity to external shocks can be reduced and how the Bank's catalytic role for generating private capital flows can be strengthened.

6. We do however think it is important to keep in mind who is the final beneficiary in this process. Unless the Bank activities contribute to long term social and economic benefits for the majority of the people, we have not achieved the objectives set out in the Bank's mandate. In order to reduce poverty by half, as stated in the Millennium Development Goals, we must mobilise additional financial and human capital. There is a need for raising both public and private capital, and putting it to work in such a way that each makes its proper contribution to society's needs as a whole.

7. Much of the responsibility for creating a good business climate lies in the public sphere, such as proper education and health facilities, infrastructure and a well functioning judiciary. We could do more to explore the possible ways of increasing the private sector involvement in these areas. The IDB today provides much needed funding for many of the public sector activities which are of fundamental importance to private business development and growth. However, given the indicators of increasing poverty levels and social needs in the region, much still remains to be done. We look forward to the discussion of the Bank's future role with this thinking in mind, that is how can a stronger focus of IDB activities in favour of growth and private sector development translate into social and economic improvements for the majority of the people.

8. Next, I would like to touch upon the subject of development effectiveness.

9. Our government, along with many others, places increasing importance on being able to show results. We need to provide evidence on how our tax payers' money has contributed to visible improvements in people's lives. We therefore strongly welcome Management's commitment to working on strengthening effectiveness and tracking operations for the evidence to show it. We are also encouraged by the work carried out so far by the Office for Oversight and Evaluation (OVE) in addressing these important issues and look forward to the Board discussions on how to proceed. In this context, we would also wish to stress the importance of providing the incentives for project managers to improve quality and creating a culture of transparency where there is encouragement for building on lessons learned.

10. As shown by statements from fellow governors these last days, it is also crucial that borrowing countries themselves take an active interest in monitoring the execution of the projects so that results can be followed up or, if need be, adjustments made during implementation in order to arrive at good end results. We would encourage the Bank to further develop its activities in strengthening borrower country capacities in this respect.

11. Finally, the Financing for Development Conference starts next week in Monterrey, Mexico. It addresses central questions on the financing of social and economic development in the decades to come, which are of obvious relevance also for Latin America and the Caribbean. In this context we warmly welcome the President's stated aim to undertake an analysis of how the Millennium Development Goals relate to the region's situation and needs. Clearly, the IDB has an obvious role too in this process.

12. The conference will also bring up a number of other aspects such as regional integration and the provision of regional public goods. These are issues of common interest to

the Bank, its borrowers and non-borrower members alike, and we look forward to co-operating with the IDB during the conference and in its follow up.