

SANTIAGO, CHILE

AB-2102  
19 March 2001  
Original: English

ADDRESS BY THE GOVERNOR FOR SWEDEN  
AT THE SECOND PLENARY SESSION

*Gun-Britt Andersson*

1. It is a great pleasure and privilege for me to address the Annual Meeting of the Inter-American Development Bank this year. It is also a pleasure to visit this beautiful host country and to enjoy the Chilean hospitality. I take this opportunity to wholeheartedly thank our Chilean hosts.
2. After forty years and eight replenishments, the Inter-American Development Bank is financially mature to continue its work in the region without further replenishments. As the most important provider of development financing in Latin America and the Caribbean, the IDB is a precious partner for all of us both borrowers and non-borrowers. The Bank's future does matter to us.
3. I appreciate being able to participate in this discussion on the Bank's mandate and role in the region. I would actually like us to make it a habit that we as Governors on a regular basis get involved in the discussions about the Bank's future strategic direction.
4. In the words of its own Chairman, the working group behind the Institutional Strategy placed far more emphasis on how the IDB could do things better than on what it should do. The group did an excellent job though, and I very much appreciate the follow-up presented to us this time.
5. The report has an interesting Addendum, which touches on the "what" and links it with priority areas through which to achieve the objectives. I appreciate the ambition behind this Addendum. It aims at sharpening the focus and clarifying the IDB's mission, which is something we have asked for on earlier occasions. I would for instance welcome a discussion where we clarify, establish and deepen the understanding of the link between poverty and inequality, as well as the links between the objectives and the priority areas. Let me make a couple of comments on this issue:

6. First on the “what”: As you all know, the key areas of the Eighth Replenishment were poverty reduction and social equity, modernisation and integration, as well as environmentally sustainable development. If we take a look at the region today, we find that considerable progress has been made particularly in the area of macro-economic management, economic recovery and integration into the world economy. However, many constraints remain. Because of this and the recent financial crisis, reforms have not had the desired result and poverty levels are higher now than they were in the 1980s. Social equity shows “no sustained tendency to improve”, according to a report by ECLAC. In view of the potential and the expectations we all had, also growth has been somewhat disappointing.

7. In my view it is therefore essential that we continue to focus the Bank's efforts on poverty reduction and social equity.—As an expression of our emphasis on this Sweden supports the Bank’s Social Equity Forum.— the Bank can of course help countries only if they themselves make this a top priority. In this context I am greatly encouraged by the recent declaration of war against poverty by President Cardoso in Brazil. A similar, very welcome “war” lies behind President Fox’s plan of “Puebla-Panama”.

8. The countries, who turn to the IDB for help to reduce poverty and social inequality, are both Low and Middle Income Countries, both big and small economies. As an example of the great variation along the old El Camino Real, an article originating from the IDB makes a comparison between the per capita incomes of the more developed Mexico-NAFTA (\$4,987), and the Central American Mexico (\$2,700). In Central America proper, the per capita income is even lower (\$1,600). The Bank needs to find an adequate response to all these different socio-economic, political and institutional realities, but it has a special responsibility for the poorest countries in the region.

9. Part of the response is promoting high and sustained growth in all the countries of Latin America and the Caribbean. One of the most important contributions to this end is to increase the mobilisation of domestic resources for investment.

10. However, as the example of Chile shows, in order to reduce poverty high growth has to be accompanied by carefully designed direct political interventions. Among them are tax reform and improved tax collection to be able to finance increased social expenditure. Another aspect of growth, about to be given the importance it deserves, is the link between economic progress and gender.

11. The earlier mentioned report by ECLAC states further that existing data does not show “clear signs that environmental deterioration in the region is being checked”. The Bank needs to be a partner to the region in this area. I agree with Mr. Ocampo, the Executive Secretary of ECLAC, when he in his paper “Rethinking the Development Agenda” underlines the effective incorporation of the concept of sustainable development into production strategies, both in the form of clean production methods and technologies, and in the form of more proactive environmental policies.

12. Modernization is of course a broader concept than democracy, but although we can see great strides in many Latin American countries in the latter area—here I would like to mention especially the extraordinary progress made by our host country, Chile—democracy is still struggling in Latin America. There is frustration that it has not fulfilled the expectations by many of improved living conditions. The answers have to be deepened democracy and development of institutions for good governance.

13. Clearly, the agenda of the Eighth Replenishment is still valid. Globalisation has only increased the sense of urgency as to achieving the IDB-8 objectives. Reducing poverty, increasing equity and the efficiency of the State in catering to the needs of its citizens, moving towards environmentally sustainable development, strengthening the values of democracy and solidarity—these are all keys to bridging the globalisation gap for Latin America and the Caribbean.

14. Now, on the “how”: I believe and welcome that the role of the private sector in the development process of this and other regions will continue to grow as a consequence of ongoing reforms. The question of what the IDB’s role should be in this context is one of the issues raised for this meeting, closely linked with the discussion on the Bank’s objectives.

15. I broadly agree with the list of recommendations in the thoughtful report by the External Review Group on private sector operations. However, before a specific decision is made on the recommendations, I would like to see a much broader discussion on the links between them and the Bank’s developmental objectives.

16. As a new member of the Inter-American Investment Corporation it is of particular interest to me to see how the currently weak co-operation between the different parts of the Bank dealing with the private sector could be strengthened. The IDB needs to use its operational experience from the different areas to realize its full potential as a partner, for instance in the crucial area of promoting an enabling environment in the private sector. In particular, the Bank could act as a catalyst for the development of domestic capital markets. Without greater cohesion between the now separate parts, sequencing cannot be used as a tool, nor can potential synergies be realized.

17. Another issue raised before the Annual Meeting concerns lending instruments. The problem of the policy-based lending exceeding the current 15 percent lending cap is presented with frankness. Again, a number of other issues need to be analysed before decisions can be taken. Among the issues is how the problem of the cap can be solved, not only in the short run, but rather in the longer run, so that the solution would link closely with the objectives of the Bank. Similar issues are being discussed in the World Bank. There is consequently a need to make decisions well informed, on the basis of a careful analysis. For instance the relationship between increased policy-based lending and domestic resource mobilisation has to be explored. Since the area of instruments is so central for the Bank’s effectiveness as a development bank, I would like to see the Committee of Governors stay engaged and would appreciate if the issue were taken to them for further discussion.

18. As one of the Multilateral Development Banks, the IDB combines the interdependent elements of universality, legitimacy, efficiency and resource mobilization capability. It is therefore well positioned to tackle the complexity of the regional challenges. Work is going on in several areas where decision-makers from the Latin American and Caribbean countries meet in order to define their future common work agenda.

19. I would also like to mention some areas where the IDB can make a contribution, but where also other partners from both inside and outside the region are needed:

20. Financial and economic volatility. This is obviously a problem where borders do not matter. It is perhaps the single most important cause in recent years of large increases of income poverty. This is an issue we should discuss further in the conference next year on Financing for Development in Mexico.

21. In a region where crime and violence have become impediments to economic investments, a desirable regional public good is citizen security. Crime and violence are closely linked with the region's inequality. In this context I want to express my appreciation that the IDB so clearly talks about street children, youth delinquency and domestic violence as development issues.

22. HIV/AIDS is emerging as a serious developmental problem also in this region. To prevent and combat this killer disease has to be made part of our programmes.

23. Trafficking—in drugs, people or money. Again, borders are porous. The underlying causes for trafficking tend to be complex, but poverty and the weakness of the State are certainly foremost among them. In this context I would like to express my special concern for the situation in Colombia. The promotion of dialogue and peace in Colombia is a priority for Sweden during our EU-presidency, and a key factor in this is the combat against drugs.

24. Promoting and financing of regional public goods are areas where the IDB has a given role and in which the Bank is developing instruments and arenas of co-operation. In fact, the IDB with its President is a regional public good! With its global membership but specific regional mandate, the IDB plays a unique role in Latin America and the Caribbean. It is well placed for close partnerships with the region and an extended co-operation with global partners.

25. Sweden, which after some years of economic problems, is again able to increase substantially allocations to international development cooperation, wants to continue to be one of the Bank's active and constructive partners. We look forward to a close and fruitful co-operation with the Inter-American Development Bank in the years to come.