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ADDRESS BY THE TEMPORARY ALTERNATE GOVERNOR FOR NORWAY
AT THE SECOND PLENARY SESSION

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1. I should like to begin by expressing my sincere appreciation to the Chilean government and the City of Santiago for hosting this annual meeting in such vivid cultural surroundings. I am pleased to learn that the warm historic relations between the Norwegian and the Chilean people last year entered a new era of enhanced cultural and economic cooperation.
2. In my intervention here today, I would initially like to touch upon a few matters the Bank has asked for guidance on—namely lending issues and the private sector, and subsequently move on to some broader development issues and initiatives—such as social exclusion, HIV/AIDS and financing for development.
3. Against a background of improved economic growth and macroeconomic stability for Latin America and the Caribbean for the year 2000, the Bank's operations were marked by a lower than expected lending volume. Whether this decrease was structural or fluctuating in nature remains to be seen. Yet, this has fuelled the ongoing debate on the strategic direction for the Bank.
4. The Bank's shift in focus from traditional infrastructure lending towards more adjustment lending in our view requires the introduction of some new, more flexible lending instruments. In fact, many of us are looking for new ways of financing development. However, more innovative and flexible financing from the international community presupposes clear and consistent national priorities reflected in the national budgets. There are at least two big challenges with such new types of financial support. One is the lack of adequate public expenditure monitoring systems in some of the countries concerned. We must avoid that countries with lower administrative capacity are deprived of the advantage of the proposed instruments. The other challenge is to work out long-term targets and appropriate indicators. Both challenges have to be solved by the

governments themselves, in close collaboration with the international finance institutions (IFIs) and other partners.

5. Norway supports the IDB's efforts to foster a dynamic private sector in Latin America, complementing—through its catalytic role—the efforts of the private sector itself. Through macroeconomic reform and modernization of the State programs, the Bank plays a vital role in assisting countries to create an enabling environment for private sector development. We believe that the ongoing discussion on raising the ceiling for direct lending to the private sector from 5 to 10 percent should be based on the development of a comprehensive private sector strategy for the whole Bank Group—including the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). Given the magnitude of private capital flows to certain countries in the region, we question the value added of increased IDB lending to the private sector at large. We believe that, if there is to be any increase in the level of the IDB's private sector operations, it should primarily benefit countries and subregions that do not have access to international financial markets.

6. This leads me to Norway's newly confirmed intention to join the Inter-American Investment Corporation. The final decision is still subject to parliamentary approval. Our main focus will be to work towards improving the Corporation's development impact. Norway sees it as important that both the IDB and the IIC contribute to an increased awareness of the private sector's broader social responsibility, fostering partnerships between government, private business and civil society.

7. Let me now turn to some of the broader development issues I mentioned earlier. Now that most development banks, the UN, donors and developing countries are reorienting their policy towards poverty reduction, it is of paramount importance to reach a common understanding of the causes of poverty. There is now overwhelming evidence that economic growth is a necessary, but not a sufficient, condition for poverty reduction. The quality of growth, including its distributional effects, requires more attention. While Latin America and the Caribbean continue to experience overall economic growth, roughly 40 percent of the population continues to live in poverty. As stated by President Iglesias on numerous occasions, this is clearly unacceptable. Reducing poverty requires coherence in all government policies affecting development, and the IDB is an important dialogue partner in key areas with potentially strong poverty reduction impact: trade, investment, agriculture, the environment, military expenditures, gender and HIV/AIDS, just to mention a few.

8. The limited evidence available demonstrates that the major factors accounting for social exclusion, poverty and inequality in Latin America and the Caribbean are gender, race and ethnic background. We support the Bank's efforts to broaden the regional dialogue on combating social exclusion. These efforts involve among others arranging seminars, collecting data and carrying out research on central poverty reduction issues. We are looking forward to hearing more about how the IDB plans to use the results of

these initiatives to incorporate dimensions of gender, race and ethnicity more fully into the design of regular programmes and policies.

9. One of the single most important impediments to development today is the growing problem of HIV/AIDS. According to UNAIDS, the number of infected adults and children in Latin America is estimated to be 1.4 million in the year 2000, and the number is expected to increase. The Bank's current emphasis is on increased access to treatment and prevention of mother-child transmission. However, there is an urgent need for additional preventive measures. Such initiatives are culturally sensitive. As the leading development institution in the region, the IDB should actively take part in the broad-based multisectoral efforts of the international community to prevent the spread of the pandemic.

10. The United Nations Conference on Financing for Development is planned to take place in Mexico in the first quarter of 2002. I would like to congratulate the host country, Colombia, ECLAC and not least the IDB, for the substantial and productive preparatory conference they organized in November in Bogota.

11. The preparatory conference represents a new way for the UN to prepare for a major conference. The main document of the UN Secretary General—a cooperative effort by the UN, the World Bank, the IMF and WTO—shows that the conceptual and cultural gap which has existed for far too long between the UN and the multilateral financial institutions has to a large extent been bridged. Our main regret is that the very important regional dimension has been presented to the Preparatory Committee in separate documents, and has not been incorporated into the main document. Considering the importance of the regional development banks in financing for development, these institutions should not limit themselves to cosponsoring regional meetings. This is particularly true for the IDB, which is the largest provider of financing to the Latin American region. The IDB should take an active part in the work of the preparatory committee and in the conference itself.

12. In conclusion, Norway looks forward to cooperating with the Bank and the other shareholders in defining the future of the Bank. It is a common challenge to us and the Bank's management and staff to ensure that the IDB maintains and even raises its current high standard.