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**STATEMENT BY LUIS ALBERTO MORENO,
PRESIDENT OF THE INTER-AMERICAN DEVELOPMENT BANK
AT THE SPECIAL MEETING OF THE BOARD OF GOVERNORS OF THE IDB**

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Governors, the Inter-American Development Bank has been, is, and will remain an important asset of the 48 nations you represent.

Today I am honored to receive your mandate to continue at the fore of this institution. I accept with enthusiasm and commitment the challenge of making it a driver of our region's social and economic transformation.

The period 2005-2010

Five years ago, when I first addressed this Board of Governors, I promised to bring the Board of Executive Directors and Management together in a modernization process that enabled the Bank to remain relevant and meet, as it has always done, the historic challenges of the time.

Looking back, I feel that we have met expectations and laid the groundwork for our institution to set the standard as a resource for knowledge, ideas, and innovative financial products with development impact.

During 2005-2010, the most vulnerable nations of the Americas benefited from a debt relief strategy. Thanks to our work, such countries as Honduras, Nicaragua, Bolivia, and Guyana are restructuring their public finances, improving their macroeconomic sustainability, and devoting more resources to protecting the disadvantaged.

Debt relief was a valuable collective effort, where the coordinated solidarity of the member countries enabled nations weighed down by their obligations to again aspire to progress.

We embarked on a structural reform of our private sector strategy and responded forcefully to increased demand from the region.

With the creation of the Sustainable Energy and Climate Change Initiative (SECCI), we have fostered knowledge development and supported the design of public policies that better enable governments to respond to the needs of harmonizing the inalienable right to development with the duty to protect the environment.

I am proud to see how with this initiative, in less than five years, a great number of the region's countries have laws, institutions, and flagship projects to reduce emissions, make energy consumption more efficient, and expand renewable sources.

The water and sanitation agenda to achieve universal coverage in rural and urban areas, our support for education projects, and the importance given to gender and diversity issues within the institution give us effective tools to help reach the Millennium Development Goals in Latin America and the Caribbean.

Our outreach and partnerships with the private sector during these years enabled us to join efforts in giving form to our ideals. The active involvement of philanthropic organizations in youth, gender, HIV/AIDS, and civic coexistence programs has shown us that development promotion is not the exclusive domain of the State and multilateral agencies.

With the administrative realignment in 2007 and 2008, we have renewed our institution's operational culture, to ensure that speed of project approval and project quality go hand in hand, and that oversight, integrity, and transparency remain guiding principles in our operations.

Thus, we have deepened our risk management and capital adequacy policies, instituted a new internal code of ethics and conduct, reformulated the anticorruption framework, approved a new information access policy, and modernized the Independent Investigation and Consultation Mechanism.

China's entry as the forty-eighth member country of our institution is an unmistakable sign of our ongoing work to expand and strengthen our relationship with nonborrowing countries for ever more strategic and energetic cooperation.

Today a successful Bank would be unimaginable without the active support of our shareholders, Executive Directors, and all staff. This joint effort enabled us to:

- Respond to the surge in volume of approvals and disbursements required by the region, and serve as a countercyclical source during the worst financial crisis since the Great Depression.
- Again aspire to a bigger, stronger, and better Bank.
- Accomplish the most substantial capital increase in the IDB's history, with the Cancún Declaration as its guiding light.
- Launch the largest aid program in the Americas, to help the Haitian people rebuild their lives and economy after the worst natural disaster in the country's recent history.

The Decade of Latin America and the Caribbean

We have years of accomplishments and lessons learned behind us. In my travels throughout the region, I have witnessed a silent revolution that will make this the decade of regional progress.

Examples like Venezuela's National System of Youth and Children's Orchestras led by Maestro Abreu, which has been replicated in many countries, show us how much can be achieved from democratizing culture, so it is not the exclusive property of the elite.

Uruguay's science and technology agenda; renewable energy plans in Argentina; conditional cash transfer programs in Brazil, Mexico, Colombia, and Honduras; Haiti's education system reform program; the robust agroindustry of northern Peru; fiscal reforms in Paraguay; Chile's mechanisms for private participation in infrastructure; microfinance development in Bolivia; and environmental awareness for protection of the Galapagos Islands in Ecuador are all clear signs of a region ready to make a leap forward in improving the quality of life of its inhabitants.

Guatemala's responsible investments in biofuels; effective mechanisms for channeling remittance income productively in El Salvador; the Panama Canal expansion; the competitiveness policy developed by Costa Rica to support free trade agreements; rural lending systems in Nicaragua; and ecotourism development in Belize represent strong peoples who aspire to expand the middle class and sustainably reduce poverty.

The commitment of Jamaica, Barbados, Trinidad and Tobago, and The Bahamas to attract investment, mitigate natural disaster risks, and improve public and social service delivery makes the Caribbean an epicenter of major changes. The Dominican Republic's push to reform education; the Haitian people's drive to overcome nature's savagery and turn their country around; and Suriname's work to safeguard biodiversity and make it an engine of the country's economy inspire us as models of indomitable perseverance.

These examples, and many more I cannot mention here that carry the same message, show that we have the capacity and can capitalize on the support received from the rest of the world.

For that reason, I have no doubt whatsoever that we have entered The Decade of Latin America and the Caribbean.

Democracy has grown stronger in our region, and our increasingly well-informed citizens express their will with great self-awareness.

We have a flourishing system of political parties that, regardless of the development model embraced, have made commitments to responsible fiscal and monetary policy, avoiding ideological battles that in the past have created uncertainty for long-term investment.

Our average fiscal deficit is around 2.3 percent of GDP, with economic activity projected to grow by 4.5 percent this year. These indicators clearly demonstrate our gains, especially compared with other parts of the world.

We are also a region where illiteracy has been virtually eradicated, and increasingly more young people finish secondary school and enter university, building a brighter future.

We have advanced in water and electricity coverage and achieved unprecedented telephone and Internet penetration, which will enable us to narrow the access gap for essential public services and the digital divide for an inclusive society.

Sixty percent of electric power is generated from hydroelectric sources, and we have stepped up responsible production of biofuels. When it comes to energy, we are on the right side of history.

The intra- and extraregional integration of recent years is embodied in dozens of bilateral treaties and investment agreements that will open up markets to our businesses like never before.

This is reality, not illusion. This is opportunity, not happenstance. This is the product of hard work, not chance and circumstance.

The region's challenges and our institution's legacy

Our duty, Governors, is to see that these advances proceed apace, meeting without delay the challenges that lie ahead.

Poverty reduction, creation of decent jobs, increased citizen security, more efficient local and national public administration, better quality education and health care, development of science and technology, strategic infrastructure as the means to competitiveness, and societies that value gender and diversity are the foundation for a region where productivity must be the engine of change.

Today the IDB is more ready than ever to meet these challenges. The Ninth Capital Increase is our roadmap for this, endowing us with unprecedented operational and financial capacity to meet our countries' needs.

Thank you for the trust you place in me. To you, I reaffirm my commitment to work without haste, but without rest, to create a Bank of:

- Knowledge, ideas, and financial products with value-added and development impact,
- Support, not controversy,
- Respect and trust, not unreflecting demands.

This is the Bank that has made history, and to which I am committed.

In the next five years we will create an institutional legacy that makes the IDB a model in the multilateral community. To do so, we must:

- Focus our efforts on supporting the borrowing member countries to meet the Millennium Development Goals by 2015. That is the best way to tie together our social agenda.
- Promote an effective public policy framework for energy efficiency and sustainability throughout the region. Urbanization exceeds 75 percent in our region. The objective should be to develop transportation, consumption, construction, and public awareness, making them vehicles of a sustainable

living environment. The IDB will be the Bank of this urban transformation, and we will employ our best resources to support the countries in that regard.

- Increase non-sovereign financing for strategic projects with real socioeconomic benefits. This is essential in a region where the private sector and subnational entities play an increasingly important role.
- Accelerate the regional integration process and expand trade relations with Asia and Europe. These efforts have set the IDB apart and should be intensified and made more effective in the coming years.

Reaching that destination will take more than intentions, desire, and energy. It will require tangible action.

As I expressed to the Board of Executive Directors on 23 June, I am committed to fully implementing the detailed reforms contained in the Overview Framework of the Cancun Declaration¹ as elaborated in the report to the Governors on the General Capital Increase.² Among these reforms, all of which are essential, I want to highlight a few of them here, given their particular importance.

The institutional and sector priorities set in the Overview Framework are the touchstones of the Bank's work. I will exert strong leadership to meet our responsibilities with regard to reducing poverty, supporting sustainable development, acting effectively to address sustainable energy and climate change, solving the special needs of the most vulnerable countries, promoting regional integration, and fostering development through the private sector.³ In particular, I will keep us on track to meet urgent regional needs in regional integration infrastructure, better education, and better private sector access to finance and renewable energy, especially for small and medium-sized enterprises.⁴

I will firmly support implementation of a comprehensive Income Management Model that, starting in 2011, will set loan pricing and allocate the Bank's income to cover both the annual transfer of US\$200 million to the grant facility for Haiti, and the payments needed to meet the Bank's capital accumulation rule that preserves the institution's financial soundness and covers its operational and administrative expenses. I will ensure

¹ Cancun Declaration (document AB-2728).

² Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document GN-2518-37).

³ See document GN-2518-37, paragraphs 3.6 to 3.11.

⁴ See document GN-2518-37 paragraphs 3.14 to 3.19.

Management's compliance with the Governors' agreement that loan pricing will cover 90 percent of the Bank's administrative expenses.⁵

I want to emphasize here that helping Haiti to achieve economic and social transformation as it successfully rebuilds will be a daily priority. We will not let down our guard or declare victory until we have seen the new reality with our own eyes.

In addition, I am making it a personal priority to rigorously use the development effectiveness threshold as a means of ensuring the quality of the Bank's loan portfolio. Let me assure you that projects receiving a development effectiveness evaluability score of 5 or above (out of 10) will be forwarded to the Board of Executive Directors for consideration.⁶

In cases of extraordinary humanitarian or financial crisis (acute payment pressures), and upon the presentation of the properly justified request by the President, the Board of Executive Directors may waive the required threshold prior to approving an operation, so long as the request is accompanied by a timetable giving the shortest possible time period, not to exceed 90 days, for achieving said threshold.⁷

I embrace the safeguards that the Bank will implement against lending into unsustainable macroeconomic situations. To this end, I am ensuring that the Chief Economist and the Research Department of the Bank are fully empowered to engage in a rigorous, unbiased assessment of macroeconomic sustainability based on objective criteria. This analysis will be performed in the context of the financial programming exercise with all countries at least once a year, as one of the prerequisites for maintaining the Bank's aggregate exposure with the country, including both sovereign and non-sovereign guaranteed operations.⁸

I will work to enhance the function of the Operations Policy Committee as part of the corporate governance backbone. I will work closely with the Executive Vice President to make sure that this committee meets in person on a regular basis and makes decisions through formal decision memoranda, consistent with the development effectiveness threshold and mandates related to environmental and social standards, macroeconomic sustainability, and other requirements.⁹

⁵ See document AB-2728.

⁶ See document GN-2518-37, paragraph 4.7.

⁷ See document GN-2518-37, paragraph 4.7.

⁸ See document GN-2518-37, paragraph 4.8.

⁹ See document GN-2518-37, paragraph 4.7.

Lastly, let me assure you that, with regard to information disclosure, we will put the IDB in the vanguard of multilateral institutions by implementing a new disclosure policy consistent with the highest standards of these institutions. In particular, I will ensure the replacement of a “positive list” of disclosed policies with a limited “negative list,” the adoption of a presumption of disclosure in situations not explicitly addressed in the policy, the release of Board/Committee minutes, the institution of a responsive and effective independent appeals mechanism, voluntary disclosure of Executive Director statements, and disclosure of project-level results.¹⁰ On project-level disclosure, we will be second to none in our disclosure of the ex ante analysis we do on each project’s expected returns, evaluability, and compliance with institutional priorities, as well as all ex post impact evaluations.¹¹

My decision to highlight these reforms in no way diminishes the importance of the other reforms outlined in detail in the Overview Framework, to which I am equally and fully committed.

We will produce the Development Effectiveness Overview annually,¹² fully staff and fund the new Inspection Mechanism,¹³ revise our environmental and social safeguards to make them fully consistent with the recommendations of the Independent Advisory Group on Sustainability (and put in place a process to update them regularly),¹⁴ expand private sector operations,¹⁵ adopt results-based budgeting,¹⁶ and implement the new capital adequacy policy.¹⁷

Again, I want to emphasize my personal commitment to this reform agenda. I guarantee that I will energetically and tirelessly work to see it implemented on the schedule outlined in the Report on the General Capital Increase. I understand how important these reforms are to the mission of the Bank, and to the wishes of the shareholders, and look forward to working closely with all the Executive Directors to keep the reform work plan on track.

¹⁰ See document GN-2518-37, paragraph 4.23.

¹¹ See document AB-2728.

¹² See document GN-2518-37, paragraph 4.6.

¹³ See document AB-2728.

¹⁴ See document GN-2518-37, paragraph 4.11.

¹⁵ See document GN-2518-37, paragraph 3.33.

¹⁶ See document GN-2518-37, paragraph 4.18.

¹⁷ See document GN-2518-37, paragraph 4.26.

In closing, I wish to thank you and your governments for this distinction. On a personal note, I wish to express my gratitude to the Government of Colombia, to President Álvaro Uribe for his generous and unqualified support, and to Minister Óscar Iván Zuluaga for the confidence placed in me.

This Bank has an excellent staff who work each day with the greatest dedication. It has been a privilege to have their support these first five years, and will be an honor for me to continue working together for the development of our region.

Lastly, I want to acknowledge the dedicated work of the team who have supported me directly during this first term of office. Very special recognition is due to María Claudia Gómez, who from the first day gave me all the support necessary for a successful conclusion to this first term.

Governors, I am proud and humbled to accept this second term as President of the Inter-American Development Bank.

You may have absolute confidence that this institution will lead the efforts that will transform Latin America and the Caribbean in this decade we have just begun. That is my commitment.

It is no small commitment, but is one shared by the Board of Executive Directors and an extraordinary group of employees, who know that accomplishing this task is essential for the 600 million people in Latin America and the Caribbean who daily struggle to make a better life for themselves and for future generations.