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INTER-AMERICAN INVESTMENT CORPORATION**

Before the

**Inter-Agency Roundtable on Additionality of
Private Sector Programs and Operations supported by the
International Development Institutions**

(Washington, DC, May 23-24, 2002)

I am pleased to welcome you all warmly to this Inter-Agency Roundtable around the main theme of Private Sector Additionality. I am especially delighted to see here today so many distinguished experts and representatives from the various corners of the Americas, our Western European region, and Japan. I sincerely hope that you will find the Roundtable to be a truly valuable forum for your expert work, as laid out in its program and selected themes. The venue's raison d'être is driven by our desire to share our respective know-how and operational experiences, so as to learn from each other and thus be able to better serve our respective constituents and stakeholders in the developmental area.

Thanks to the joint leadership of the Inter-American Investment Corporation and the World Bank Group's International Finance Corporation in their co-sponsorship of the Roundtable, we are all invited to address a central subject of great institutional relevance to all of your organizations, which is closely linked to the various programs, activities, and instruments designed to promote and support private sector development throughout Latin America and the Caribbean. This subject is also closely related to the broader debate on the overall institutional relevance and developmental effectiveness of the resources and programs marshaled both through multilateral and bilateral channels, to combat world poverty and attain sustainable living standards both globally and regionally.

This Roundtable represents a unique, and possibly the first, occasion when international agencies and experts are gathering to specifically tackle the daunting challenge of optimizing and accounting for the desired additionality benefits we can generate or foster, by supporting or partnering with private investors seeking business and growth opportunities in the developing world. This has become a major challenge for our institutional relevance, most notably in the so-called emerging market and transition economies, where private initiative and financial markets are increasingly seen as the major force for the economic advancement of our populations in our global village.

Before addressing the central theme of the Roundtable, I wish to welcome my dear colleague Peter Woicke, Managing Director and Vice-President of the International Finance Corporation. Likewise, I wish to welcome the distinguished CEOs of CORFO of Chile, and Corporación Financiera Nacional of Ecuador [and others when confirmed]. We are privileged as well by the participation of senior experts and program managers from the European Investment Bank, the European Bank for Reconstruction and Development, our sub-regional bank partners (the Andean Development Corporation, the Caribbean Development Bank, the Central American Bank for Economic Integration, and the North American Development Bank), and representatives from the Commonwealth Development Corporation. I also wish to recognize the presence of several prestigious developmental organizations from Europe, of IFC and World Bank experts, and of our own counterparts from the IDB Group proper, the Multilateral Investment Fund, and the Inter-American Investment Corporation.

It is no coincidence that this event takes place shortly after the UN Financing Conference for Development, and the resulting “Monterrey Consensus,” calling for a new era of global partnership for development. I wish to underscore some of the highlights and tangible areas of consensus in the closing declaration of the Conference, because they can guide us to set a most relevant context and many of the themes and expert deliberations during the Roundtable. World leaders have largely converged in highlighting the role of international trade and private capital flows as vital complements to development efforts. With reference to private sector initiative as a key engine for economic growth, the “Monterrey Consensus” alludes to some critical challenges and opportunities for the world development community, most notably:

- The strong need for policies and measures where stakeholders at the international and national level can achieve greater inclusiveness and fairness, and enable developing country participants to take greater ownership of such measures, especially in the emerging and market transition economies
- The pursuance of appropriate policy and regulatory frameworks, in a manner consistent with national laws, to foster a dynamic and well functioning business sector, raising productivity, empowering women and the protection of labor rights, and the environment.
- The need for stronger international and national actions to achieve more efficient domestic financial sectors, the orderly development of capital markets through sound banking systems and other institutional means such as those involving insurance, guarantees, debt and equity markets to channel higher levels of savings and foster productive investments
- To enable the financial deepening of national and regional economies, the Consensus calls for a sound system of financial intermediation, transparent regulatory frameworks, and effective supervisory mechanisms. This also calls upon the development of guarantee schemes and business development

services to open the access of small and medium-sized enterprises to local finance.

- The promotion of micro-finance and credit for small and medium enterprises, that can better serve and reach out rural areas and women, as well as national savings schemes.

As we examine more closely the Monterrey Consensus Declaration, we find calls directly relevant to our organizations and programs in support of private sector development at various levels. When they make good use of their respective synergies, development banks, commercial credit institutions, and other financial institutions can become effective instruments that facilitate access to financing, including equity financing, for enterprises. They can be reliable sources of medium- to long-term credit for businesses. In turn, companies are invited to take into account not only their economic and financial performance, but also the area of corporate governance adequacy and the social, gender, and developmental implications of their undertakings.

A further priority area of no lesser relevance to our organizations and private sector-oriented activities is the promotion of a greater transparency in the area of financial flows, both in source and in destination countries. The main rationale is to help mitigate the impact of excessive short-term volatility and improve the management of external debt profiles, bearing in mind currency and liquidity risks and the prudential regulation and supervision of all financial institutions.

Liberalizing capital flows can be especially beneficial when it is managed in an orderly and progressive manner, safeguarded by suitable international codes and standards and implemented through public and private sector initiatives. The objective here is to render financial market and risk assessment information more accessible, accurate, timely and comprehensive. The Monterrey Consensus specifically calls on multilateral financial institutions to step up their assistance in this area.

The collective will of the Heads of State, as embodied in the Monterrey Summit's conclusions and calls for action, must be carefully taken into account by all players in the developmental arena, whose very mission is to pursue these objectives vigorously and achieve measurable results. A tangible dimension of this wide-ranging area should be seen as falling under the concepts of "developmental impact," and the value-added resulting from our involvement in private sector programs and operations. In the specific theme of the Roundtable, this translates into the demonstrable additionality our activities and programs must have for our stakeholders in the developing world.

The heads of the multilateral development banks have publicly pledged in Monterrey to do a better job in measuring and managing for developmental results. We have stated that the lessons learned from our past work with development policies and institutions should lead us to value, most of all, the catalytic role of our multilateral organizations. We have further said that enhancing the quality and the support for

capacity building is especially necessary when it comes to measuring, monitoring, and managing for developmental results in our respective areas of endeavor.

We have also laid out a number of steps, including a major review of our approaches, so as to be able to better learn and share lessons, and adapt our policies and quality assurance practices accordingly. I therefore wish to invite all of you to work with us in this undertaking, and I trust that the outcome of this Roundtable will make a significant contribution to our common endeavors for the development of the private sector.

I feel very encouraged, and I know that Managing Director Voicke feels the same, by the pool of talent and dedication that is being brought to bear at this Roundtable. Experts and practitioners in the field are bringing their knowledge of and experience with the basic policy concepts and methodological tools that have been developed thus far. Since the Roundtable's central theme is wide-ranging and pertains to the entire program and project development cycle, we will be able to compare them and examine candidly which set of tools can best be adapted to particular types of programs or private sector-oriented activities.

As an integral part of our IDB Group's coordinated efforts, the Inter-American Investment Corporation has recently taken the initiative to develop what it has termed an "additionality framework" for the appraisal and monitoring of all its lending and equity investment operations, whether in the form of corporate operations or programs executed through financial intermediaries and growth funds in Latin America and the Caribbean. The framework is currently in its pilot phase. The Corporation's Board of Executive Directors has welcomed this initiative warmly, and expressed the desire that peer agencies and organizations be consulted to share the knowledge and experience they have gained in the field.

As for the Inter-American Development Bank proper, when the Board of Governors authorized an expansion of the lending authority allocated for our Private Sector Investment Program, we adopted a project appraisal framework with a focus on the assessment of additionality of PRI operations. Besides giving an operational definition of this concept, the framework outlines the various types of additionality which PRI operations should foster, encompassing such key developmental dimensions as finance, regulatory setting, risk mitigation, environment, health and safety standards, catalytic demonstration effect, and improved corporate governance. To become eligible for PRI financing, projects must now pass the test of a "significant presence" of additionality in these areas. Our Multinational Investment Fund, which is more targeted to the micro-enterprise segments of our national economies, has also initiated efforts to enhance its project appraisal and supervision tools in related areas.

Suffice it for me to say at this time that here at the Roundtable we will be hearing from the latest advances achieved by our organizations. We will benefit from the efforts of the World Bank Group and other multilateral and regional organizations. Jacques Rogozinski, the General Manager of the IIC, will outline in a few moments the program

and thematic organization for the work and deliberations of our participants. I am sure we will be hearing from all of you during the proceedings. I trust that this will enable us to move ahead and gain a shared understanding of the issues and work challenges that lie ahead. In closing, I wish to extend to each and every one of you my best wishes for a fruitful exchange. It is my belief that the Roundtable will help us all to make significant progress in the various disciplines involved.

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