

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

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- I would like to thank all of the participants to this roundtable on additionality of private sector operations and programs supported by the international development institutions. Thanks to your hard work and the level of the deliberations our expectations have been fully met. I want to express a special word of gratitude to the highly professional IFC team and for their full support and cooperation to make this initiative a reality.
- I believe that no one in this room will leave today without having a better understanding of the additionality concepts and the different ways to approach its definition and measurement. These concepts have been used often without rigor or more in association with other expressions such as impact, catalytic effects, and the like. Now we can grasp at least what additionality can represent in terms of

developmental impact and the value which our respective roles can bring about.

- We have been presented with some elaborate approaches and constructs to define and measure developmental additionality. We have also seen that not all of the institutions have achieved the same depth, partly because their private sector operations are in their genesis. We hope that this meeting will help their work in the months to come.
- Let me try to summarize the areas in which I think there is broad consensus and also those in which there are still some gray areas that would benefit from additional work to achieve common ground.
- The first common denominator of the practices of our institutions is that the application of our resources should complement and not displace those available in the private sector. A corollary to this statement is that we believe that the sole provision of resources to achieve a financial result is unacceptable. There must be other elements that accompany the necessary financial viability, such as job creation, foreign exchange generation, transfer of technology and know-how and environment protection. In other words, we must seek sustainable development. Moreover, although not expressly mentioned by all of the speakers, our development efforts should help in the overall goal of reducing poverty, or, as in the case of EBRD, economic transition.

- Another principle that our institutions hold as a primary goal is the development of market structures that enable the improvement of corporate governance and the development of capital markets that can support the continued development of private sector operations. Until we reach that stage, development financial institutions have a crucial role to play to make viable projects that otherwise would not be undertaken. As the World Bank stated, this does not mean that projects that are not intrinsically viable should receive support on the basis of subsidies. This was well illustrated by the IFC under the concept of avoidance of adverse project selection.
- Another common element in the discussions, and clearly expressed by the EBRD is the need to follow sound banking practices if we are to achieve the ultimate objective of fostering development and achieving developmental additionality.
- Additionality can be expressed as a continuous and permanent learning process where we must accumulate knowledge and advance processes to improve the performance of development organizations. CORFO expressed this concept in the sense that additionality should be expressed as the incentives for the application of mechanisms that have worked in other economies and that can be successfully transferred. Also, we have expressed that the support of our institutions should be transitory in nature and, as stated by the Corporacion Financiera Nacional, we must take into account an integral approach to private sector development including the use of competitiveness indicators in the assessment of additionality.

- The creation of an enabling environment is another concept that should be taken into account in the analysis of additionality. The Caribbean Development Bank reminded us that part of our role is to help reduce transaction costs as well as to catalyze investment flows and develop capital markets.
- We appreciated the work done by DEG with its Corporate Policy Project Rating. This morning we benefited from a detailed presentation of this concept and the scoring methodology that awards points to the relevant developmental effects achieved with their transactions.
- Another area where I think we can find broad consensus is that evaluating developmental additionality has a direct connection with the ex-post evaluation efforts of multilateral and bilateral organizations.
- Now turning to the areas where we can say that there is a need for more work and understanding, mention was made of the need to more clearly differentiate between role and developmental impact versus additionality. Here we have been using these terms as synonymous. I don't think that we can reach a conclusion. However, by clearly understanding the need to justify the application of scarce resources, we can approximate this problem by stating that without developmental impact we can hardly argue that our work meets the test of additionality. We must also recognize that our institutions add

value as long as both concepts are present in our work. The EBRD advanced an interesting proposition in this regard saying that developmental impact and additionality mean all that is not captured by the mere financial result.

- I think we have achieved what I said in my opening remarks. We have moved perceptibly toward understanding our respective conceptual interpretations and understanding about what is and what is not developmental additionality. Perhaps imposing a universal set of definitions will remain elusive and not necessary. But we are learning from the practices of peer organizations. This will allow us to improve our own practices and to find better ways to communicate to shareholders and stakeholders about the accomplishments, and the challenges of each institution.
- Of course we should pursue what has been started here and nurture what should be the task of a professional network among our organizations and beyond. I would envisage that virtual meetings and exchanges could readily be fostered, and we could take stock of our progress say a year from now. Perhaps some of our partners in Latin America, and I am thinking of CORFO, CFN, or like agencies to partner with us and bring us closer to our real clients on the ground.
- I know that our Round Table Coordinator will be fully disposed to keep this flame alive with your help.

- Once again, I would sincerely want to thank you for your participation in this roundtable. Your valuable contributions have shaped the discussion of what is developmental additionality. We would like to share this knowledge with stakeholders. I would like to propose that the proceedings be made available to the public. Therefore, with your permission, I would like to post your presentations in our website. If there are parts of your presentations that you do not want to be public, we would kindly ask to send us edited versions so we can proceed to make them available.
- I now declare this roundtable closed. I wish you a safe return to your respective destinations.