

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Assistant Secretary for International Markets & Development Marisa Lago at the 53rd Annual Meeting of the Inter-American Development Bank Group

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MONTEVIDEO, URUGUAY - On behalf of President Obama and Secretary Geithner, I would like to thank President Mujica, his administration, and the people of Uruguay for their warm hospitality.

I would like to highlight three important developments since we last met a year ago in Calgary:

- First, as a result of skillful policy management, the region continues to be a source of strong and balanced growth helping to drive the global economic recovery;
- Second, as President Obama prepares to travel to Colombia for the Summit of the Americas next month, his positive vision for a new regional partnership is already bearing fruit; and
- Third, the Obama Administration's success in meeting our commitment to participate in the Ninth General Capital Increase (GCI) is representative of the United States' steadfast commitment to support economic development and poverty reduction in the region. To elaborate, I am proud that the United States has delivered on our GCI commitment, clearing the way for the replenishment of the Fund for Special Operations (FSO) and the historic agreement to forgive Haiti's debt.

Regional Economic Developments

Let me begin with the strong performance of Latin America and the Caribbean. The region continues to be an engine of the global economic recovery, with policymakers taking the appropriate steps to transition from public to private demand-supported economic growth. Although the pace of expansion has decelerated from highs achieved during the region's rapid recovery, the willingness of policymakers to responsibly deploy and retract policy support as necessary is evidence of the region's commitment to contributing to a global economy that promotes strong, sustainable and balanced growth.

Many countries are now pursuing a common mix of policies to promote economic stability and inclusive growth while continuing to lift historic numbers of people out of poverty. The benefits of such a framework are becoming increasingly evident among the many countries that have chosen to pursue fiscal discipline and transparency, credible monetary anchors and exchange-rate policies, and well-regulated and capitalized financial systems. The outlook for future growth in these countries is promising. It is reinforced by the availability of international resources through the Inter-American Development Bank (IDB) to support investment in education; infrastructure and research; regulatory reforms to improve competitiveness; expanding intra-regional trade; mitigating persistent inequality; and continuing successful efforts to reduce poverty and expand the middle class.

We in the United States are well aware of the impact that our economic cycles have on the region. While the days have passed when countries could depend on the United States to be the global consumer of last resort, we have taken significant policy actions to strengthen and maintain our economic recovery, including by implementing the Free Trade Agreements with Colombia and Panama, signed by President Obama last October.

We are mindful that, just as the economic stewardship of our hemisphere is a shared responsibility between the United States and our partners in the region, the policy decisions of countries outside of our hemisphere also matter greatly to sustaining the current positive momentum. We continue to emphasize that strong, sustainable and balanced global growth remains a shared responsibility.

As economic growth in the smaller economies that are more dependent on remittances and agricultural exports begins to accelerate, support from the international financial institutions will be critical in transitioning from crisis response to sustainable growth. The IDB, as well as its partner multilateral institutions, will continue to be a crucial partner in development.

In particular, the road to economic recovery in Haiti continues to present challenges. Nevertheless, the robust partnership between the IDB, bilateral donors and Haitian authorities has begun to sow the seeds for future economic success. Our commitment to Haiti's reconstruction and development remains strong. We urge the international community, including the IDB, to go the distance with Haiti's leadership to ensure a lasting commitment to sustain economic growth and reduce poverty. And we encourage Haiti's leadership to overcome the political challenges that once again threaten the pace of recovery.

Equal Partnership and Shared Responsibility

The multilateral commitment to Haiti's reconstruction and the role of the IDB in Haiti reflects the sense of shared responsibility that underpins President Obama's call for an equal partnership with the region. This is evidenced both by our regional policy engagements and in expanding trade and investment ties with the region. The United States will continue to be an important source of, and increasingly a destination for, investment capital and high-value exports. Indeed, the quality of bilateral U.S. trade ties with the region is strengthening across the board.

Intensifying trade and investment ties are spurring demand for greater physical integration of our region. The economic gains from integration are exponential, so we strongly support the exciting trade, financial and physical integration initiatives announced over the past year by the governments of Chile, Colombia, Mexico, and Peru.

The integration agenda is a clear area of shared responsibility. Over the last year we joined Canada, Colombia, Mexico and Spain to create a groundbreaking donor trust fund here at the IDB. The Crossroads Fund incentivizes countries to pursue investment in cross-border transport and logistics integration. I am proud to announce that this weekend the United States signed our formal donor agreement for the Crossroads Fund. I now call on my colleagues gathered here to identify your own concrete commitments ahead of the next annual gathering of finance ministers of the Western Hemisphere in Colombia.

Inter-American Development Bank

The IDB remains a strong and vital institutional partner in the region. In a year marked by domestic economic uncertainty and a severely constrained budgetary environment in the United States, we succeeded in securing financing for the IDB. This was a very significant achievement, reflecting the United States' steadfast commitment to the region, the IDB specifically and multilateral development banks (MDBs) more broadly.

In addition, our success in meeting funding commitments to the IDB was linked directly to the reforms that we agreed to, as Governors, two years ago in Cancun. At that time, we established a comprehensive blueprint to transform the IDB's day-to-day operation, increase its accountability, and improve its development impact in the region. Since then, the IDB has made significant progress on these commitments. I would like to thank President Moreno, Executive Vice President Katzman, Bank management and staff, the Board of Executive Directors, as well as my fellow Governors, for their hard work in implementing this ambitious agenda.

I would like to comment on a few areas in particular.

- First, I would like to thank Governors for approving the second annual transfer of \$200 million in grants to Haiti. This much needed funding underscores the IDB's commitment both to making a difference in the region's poorest country and to working in one of the most challenging environments in the world.
- Second, I want to commend the IDB for setting a new standard among the MDBs for responsible income management. This is illustrated by the adoption of a budget subject to the discipline of the Income Management Model, which requires loan charges to cover administrative expenses while allowing for full support of the \$200 million annual income transfer to Haiti.
- Third, I want to recognize the positive assessment of the IDB in the Development Effectiveness Overview (DEO). The DEO highlights the IDB's pursuit of innovative projects such as the grant-based regional health project being administered by the IDB, and the water and sanitation program in Bolivia. We applaud the emphasis on incentives, outcomes and sustainability. Such projects clearly have the potential to offer valuable lessons for development assistance in the future.
- Fourth, I want to compliment IDB Management for its exciting initiative to map the development results through a mechanism that shows both what works and what does not. This represents the openness and transparency that we need to augment our knowledge capital on development outcomes. I hope that the IDB's leadership will spur other development institutions to undertake a comparable effort.

I also want to highlight the important work of both the IIC and the MIF. Both entities continue to transform innovative ideas into effective approaches for spurring private sector development in the region. These missions are fundamental to the U.S. approach to development assistance. The United States is, and intends to continue to be, the largest supporter of both the IIC and MIF.

Finally, I want to say a few words about the work that remains to be done. While progress has been made on many fronts, there are additional areas where we expect to see strong implementation of key reforms to ensure that the IDB meets the highest standard when it comes to accountability, transparency and development effectiveness. In particular, we look to IDB management to develop a comprehensive strategy related to the Bank's sustainability agenda.

In the coming months, the IDB will be making critically important decisions as it identifies candidates to assume the posts of Executive Auditor and the Head of the Office of Institutional Integrity (OI). We urge Bank management to identify first class candidates and elevate the OI position to a Vice President level. We place an especially high value on these positions, which underpin integrity and accountability at the IDB.

The region is undergoing a rapid and exciting transformation. But with this transformation come new challenges, as highlighted by yesterday's excellent, animated discussion on inclusive growth, including the imperative of protecting the region's extraordinary natural resources. Together we are similarly transforming the IDB into a more targeted, effective and transparent institution that, I believe, will enable the IDB to retain its vital role in this region.

Let me conclude by saying that as much as I have enjoyed addressing you today, I would encourage management to consider asking Governors to submit statements for the record in future meetings. This would enable us to have informal and meaningful discussions on timely issues, like yesterday's excellent session on inclusive growth.

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