

**Speech by Bert Koenders,
Minister for Development Cooperation,
at the presentation of the Accountancy Development Index
Report,
NIVRA, Amsterdam, 30 September 2009**

Ladies and gentlemen,

I'm delighted to have the opportunity to join you here today. I would like to thank NIVRA for the invitation to attend the unveiling of the Accountancy Development Index, though I must admit that when I saw that I was expected to speak about the 'Importance of Quantitative Measurement' I was a bit nervous. The only quantitative measurement that I know about is 0.8 - the percentage of Dutch GDP that goes to Development Cooperation!

[crucial moment]

Today's presentation comes at a crucial moment. The financial and economic crisis is now at its peak, and has enormous implications for balanced and sustainable development. The effects of the crisis are being felt

worldwide, but for developing countries the consequences are particularly harsh.

The crisis has put additional pressure on all capital flows to developing countries. Whether we're talking about exports, investments or remittances, the trend is a downward one. This has only increased the importance of development cooperation. We did not ask for this state of affairs, but it is a fact of life that no one can deny. Not even the critics who say that it's better for developing countries to enter the international capital markets to finance their own development. Of course, that would be better! But how realistic is it to expect a desperately poor country like Mali to cobble together the necessary funds at a time when even the most successful African country in this regard - Ghana - is having great difficulty doing so? Ghana, a country that is now grappling with a budget deficit of 24% on account of these very loans.

Such countries played no part in the gold rush of the last decade. To fill the gap left by decreasing private investment, public investment is now needed more than ever. In fact, public investment can be a driving force - a multiplier, even - for investment in developing countries.

It is our common responsibility to help them turn the tide for developing countries. We simply cannot afford to lose momentum now.

So I was delighted that in Pittsburgh last weekend, the G20 took important steps aimed at promoting a fair trade system and preventing protectionist measures. Perhaps even more important was the political support for a shift of at least 5 percent in country representation at the IMF toward dynamic emerging markets and developing countries. What's more, the leaders stressed their commitment to the world's poorest countries, saying 'steps to reduce the development gap can be a potent driver of global growth'.

Last week, at the United Nations General Assembly, I discussed this issue in detail with various key players. And I can assure you that I am more committed to this cause than ever.

Last Saturday, 1500 people interested in development cooperation gathered in the Fokker Terminal in The Hague to learn from and inspire one another. People from all walks of life were present. Take the volunteers and NGO workers who have been involved in development cooperation for a long time. Or the young entrepreneurs who are importing trendy

fair trade children's clothing or selling soap produced in sustainable ways. Take the established businesses like Philips or Heineken, who are manufacturing affordable products for developing countries, be it sustainable solar lamps or beer produced from local grain.

Or take the 50 other Dutch companies who work together with NGOs and governments as part of the Initiative for Sustainable Trade. Programmes are being developed and implemented across various value chains like cocoa and soya: this is People, Planet and Profit in action!

They are not doing so out of charity - business is business, and they are seeking to build market share - but their products are making a difference in the lives of many people.

The range of organisations, projects and ideas present on Saturday showed yet again that development cooperation is not just a hobby for left-wing politicians - as some people like to claim.

[importance of cooperation & coalitions]

I am convinced that cooperation can bring development a giant push forward. Since I became Minister for Development Cooperation in 2007, I have dedicated myself to building partnerships. Reaching out to new partners with innovative

ideas, or, as we like to call them ‘unusual suspects’. To me, that’s a label with positive connotations. At this point, we have more than 70 partnerships with the private sector, involving more than 185 companies.

I have long been convinced that development cooperation is ‘our common concern’. It’s no coincidence that this was the title of my letter to parliament setting out my policy!

We need to build coalitions with other stakeholders. A whole range of pressing issues require the creation of broad alliances. Together, State Secretary for Finance Jan Kees de Jager and I are intensifying our cooperation on increasing tax revenues in our partner countries, both in terms of capacity building as well as the international fight against tax havens.

Together with Rabobank we set up local banks in Africa which utilise Rabobank’s specialist expertise in agricultural finance. With the support of Dutch companies working in energy, water and health care we set up the new ORIO programme aimed at investment in infrastructure in developing countries.

In sum, I consider business sectors as crucial partners. I am delighted that you have taken the initiative in getting the ADI up and running. Not only because I encourage sectors to

organise effectively and take responsibility, but also because using your specific expertise, you have come up with a useful tool for developing countries.

[importance of ADI]

It might be a bit risky, however, to reflect in detail on an index that has not yet been fully unveiled. My understanding is that the Accountancy Development Index is a tool that measures transparency and accountability, providing a range of information that can be used to improve risk analysis. It assists in monitoring a country's progress as it relates to a that country's financial sector enabling environment.

What is more, I understand that the index uses 'pillars' or components drawn from internationally recognised standards such as the International Federation of Accountants' Statements of Membership Obligations and the OECD's Corporate Governance Principles. It includes such subject areas as corporate governance, institutional sustainability, the statutory framework, ethics and accountancy.

If my understanding is correct, the index may not only be an important tool in monitoring the degree to which a country

provides an enabling environment for economic development, it may also be a stimulus to improving that environment itself.

Economic growth and equitable distribution of wealth is one of my four key priorities. We encourage economic growth by giving the poor and small and medium-sized enterprises (SMEs) better access to financial services. In addition, we work to foster a favourable investment climate to attract foreign direct investment to developing countries. Given the current global economic climate, attracting FDI is more vital for these countries than ever before.

And this is where the ADI comes in. As you all know, it is very difficult - to put it mildly - for investors and banks to make sound decisions without clear financial reports certified by auditors. Standards for auditing as well as for financial reporting are indispensable. Your work is crucial for private sector development. As you know, the private sector is the engine for growth, accounting for 80 per cent of jobs in developing countries.

Transparency of a company's financial data is fundamental. The development cooperation sector is working to increase the transparency of the goals and results of our budget. The private sector needs to do the same, now more than ever. The

lack of transparency in reporting on the balance sheets of financial institutions has been at the heart of the financial crisis.

That said, the ADI is also highly relevant for the public sector, since one of its pillars focuses on the public sector accounting environment, the transparency of public finance management and the auditing of governments' annual financial statements. Sound and transparent public finance management in developing countries is a subject close to my heart, especially when it concerns government-to-government development assistance. In that respect I also support another tool: the Public Expenditure and Financial Accountability assessment, or PEFA for short. Avoiding duplication of instruments and supporting the harmonisation of monitoring tools by donors is something I would like see the ADI take into consideration.

The ADI will help countries identify the programmatic areas in which they need to improve. It will also make it easier to determine whether investment in specific programmes has resulted in measurable improvements in the adoption and implementation of international standards and best practices. As you can imagine, this may be of particular interest to donors.

But it might be even more important to those in the countries concerned. Domestic accountability is fundamental. Governments are first and foremost accountable to their own citizens. The people must be first in line, not the donors. As a donor country the Netherlands considers it crucial to help improve accountability systems and arrangements in our partner countries. An index that contributes to greater transparency and accountability on the part of economic actors may also be helpful in increasing transparency and accountability in the public domain. I am curious about the possibilities offered by the Accountancy Development Index. You can probably tell that my expectations for the ADI are pretty high!

With every achievement comes hope for more. I hope that this pilot will also lead to capacity building in the countries themselves, ensuring that lessons learned are not forgotten and that improvements are incorporated in a sustainable manner. I would call upon NIVRA and its partners not only to help develop this index, but also to assist your partners in the developing world with demand-driven training and capacity building.

[When I first heard about the ADI, I was pleased to note that NIVRA had decided to become active in certain countries

which we call broad-based relation countries in Dutch development policy. They include Macedonia and Moldova, for example.

At some point, private sector actors need to take over the role of international donors. In Macedonia, Moldova and Kosovo the EU remains the strongest player in the donor community. I am pleased to see that NIVRA has benefited from a number of twinning projects supported by the European Commission in these countries. To me, building on each other's foundations is effective development cooperation.]

Ladies and gentlemen,

Let me conclude with a few remarks about the partners in this project. I was pleased to hear that this pilot is the result of a promising relationship between USAID, Leiden University and UNCTAD. The fact that UNCTAD now plans to implement some of the benchmark standards is a clear reflection of the pilot's success. I am sure that after today's presentation we'll be hearing a lot more about the ADI!

Thank you for your contribution to development cooperation. I wish you every success in your future efforts to monitor and evaluate accountancy systems. I hope you will expand your activities to more countries in the developing world.

Thank you.