



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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President of the Inter-American Development Bank and
Chairman of the Board of Executive Directors of the
Inter-American Investment Corporation,
at the inaugural session of the
Annual Meeting of the Boards of Governors***

Before I begin, please allow me to thank the outgoing Chairperson of the Boards of Governors, Minister José Manuel Restrepo of Colombia, for his excellent work over the past year.

And let me be the first to welcome the incoming Chairperson, Minister Nigel Clarke of Jamaica. I look forward to working closely with you in the months ahead.

I am delighted to welcome you all to the 2022 Annual Meeting of our Boards of Governors!

We are gathering virtually this year to ensure the health of everyone involved, but I know I speak for all of us in looking forward to an in-person meeting in 2023.

Today, as we assemble to discuss the future of Latin America and the Caribbean — and the future of our institution — the eyes of the international community are fixed on Eastern Europe.

Russia's war of choice on Ukraine is a global tragedy and a shock to the world order, whose profound ramifications are yet to be fully felt.

However, some ripple effects have already begun to arrive in our borrowing member countries through impacts on financial markets, inflation, and changes in the flow of commodities such as gas, wheat, and metals.

These dynamics are compounded against the backdrop of an incomplete recovery from a still-ongoing pandemic.

And as COVID-19 has revealed our deep global interdependence, so too does the war in Europe.

Only recently, the world was sent scrambling to correct its commercial over-reliance on China and diversify supply chains — and now again we have reason to consider new buffers and new connections for Latin America and the Caribbean in international trade.

Not only should we be working together to mitigate the economic effects on the region, but I believe Latin America and the Caribbean can play an important role in offsetting commodity impacts for the entire world.

At the same time, this region's most acute challenges will not stay out of the global spotlight for long.

Some of our countries are suffering from prolonged instability, violence, and persisting humanitarian crises. Haiti and Venezuela remain a focus for the IDB, as they should for us all.

We must work even harder to improve the conditions that currently prevent these countries from meeting the needs of their populations — and the conditions that hold back the region at large from fulfilling its true potential.

That is why today's conversation is important, and it sets the stage for considering a greater vision for Latin America and the Caribbean in the context of increasing geo-economic and geopolitical complexities.

This region is home to 650 million people who are slowly emerging from some of the darkest days in recent memory. They are doing so with a fervent desire to live in healthier societies.

The need to improve social protections and inclusion, to reignite growth, and to enable a robust private-sector contribution to development is not just an imperative, but an urgency.

As the region accelerates vaccination, the patterns reveal a stark urban-rural divide, reflecting entrenched inequality and persistent structural shortcomings. We will not be able to relegate the pandemic to the past until these gaps are narrowed.

The governments of our borrowing member countries today face difficult choices. However, I have always said — and will continue to say — that sustainable development is not zero-sum.

We recognize the narrowed fiscal space you face, the social demands that will grow, and the speed with which the region must pivot from existing priorities to unpredictable events. And this is why the IDB stands ready to be a better partner, a stronger ally, and an innovative, solutions-based institution.

A more flexible, creative, and responsive Bank can help governments bring about sustainable and inclusive growth through decisive action on critical social priorities, by identifying opportunities for job-creation while greening economies, and by unlocking private-sector development.

That is the IDB we need — an institution equipped and strategically oriented to help forge a prosperous future in a changed reality: an IDB with a new and improved value proposition.

Let me share a fact that even the keenest of observers would likely not have believed possible when we assembled in Barranquilla, Colombia, one year ago:

Overall, this region is now a global leader in vaccination rates.

Today, more than 65% of the population of Latin America and the Caribbean has been fully inoculated against COVID-19, and many countries are on track to reach the 70% target by June.

While the region was once contributing a full one-third of global infections, we now account for about 4% of newly reported cases.

This is a remarkable turnaround, and it did not happen on its own.

It took the efforts and investments of all of the region's governments, health ministries, and health workers; of all of its populations; and the private sector, working toward a common goal.

It also took a massive effort by the international development community — led in this region by the IDB. And I am proud that we have assisted our borrowing countries with critical financing for vaccine purchases and distribution.

Last year, we approved guarantees and new loans for Belize, Ecuador, Honduras, Panama, and the Dominican Republic, while resources were mobilized from the existing portfolio for Argentina, Belize, the Bahamas, Ecuador, El Salvador, Guyana, Honduras, and Trinidad and Tobago.

In the process, we have also helped strengthen and modernize health systems — the start of many needed reforms in this area that will not only improve, but save, lives.

This vaccination story is powerful proof of just how much can change, and just how quickly, when we are determined to take a more strategic, unified approach to the challenges we face.

We also mark the passage of a year with another fact that defies what most of us had predicted:

Latin America and the Caribbean beat the forecasts and achieved an estimated average of nearly 7% growth in 2021.

That was due to a variety of global and regional factors, but our institution played a critical role.

The IDB and IDB Invest achieved a record of nearly \$23.4 billion in lending and private-sector mobilizations last year.

That included a record \$3 billion in mobilizations by our private-sector arm — a sign of the potential of the “IDB Invest 2.0” that we will build, until it becomes the world’s most powerful development mobilization bank.

And that work is itself a part of our new, institution-wide push to tap into critical private resources and make the most of every dollar we invest, or every financial tool we design, and of every partnership we forge.

Our Private Sector Partners Coalition, which represents the IDB’s most ambitious effort in this area, has grown from 40 to more than 160 of the world’s leading companies in just one year.

Ranging from “multilatinas” like Mercado Libre to Telefónica, Microsoft, and Mastercard, these companies are committed to taking a leading role in the region’s recovery alongside our Bank, with joint projects and knowledge transfer that complements our public-sector work.

This brings me to an essential point that I'd like to make as we consider these record monetary amounts: what matters even more than the totals is the increasingly strategic application of our financing and mobilization efforts in the areas that have the greatest impact for recovery and growth.

Those areas are the pillars of "Vision 2025," the blueprint developed by this institution's leading experts in close coordination with our member countries, and endorsed by you — our Governors — in Barranquilla.

The goal is to accelerate recovery from the pandemic, achieving near-term gains that lay the groundwork for lasting structural improvements — and a more competitive, inclusive, and sustainable region.

The results we have achieved over the past year in strengthening value chains and small businesses, sparking digitalization, fighting for gender equality and diversity, and driving robust climate action are a powerful start.

We have begun to work smarter, and we are setting our goals higher to scale and multiply these successes — and rise to the level of the region's need.

And, indeed, we are clear-eyed about those needs.

Just as the regional vaccination rate tells only part of the story, so too does last year's regional growth.

Some of our borrowing member countries have recovered many of their losses, and indeed, some sectors are booming. For example, Latin America was the fastest-growing region in the world for venture capital in 2021, with a record-smashing \$20 billion flowing in, much of it to fintech companies.

But for some countries and sectors, recovery — even to an unacceptable baseline — may take years.

Following record business closures, job recovery has not kept pace with GDP gains. That's especially true for youth and women, for whom years of slow progress on labor insertion have been erased.

The digital divide between many of our borrowing countries and the world's advanced economies continues to hamper our competitiveness and citizens' access to services and employment opportunities.

Rampant socioeconomic inequality, worsened by a pandemic surge in poverty, will continue to drag down societies, with major political consequences.

The region's students have lost 166% more days of in-person learning than the global average.

And historic droughts, record forest fires, and devastating storms are sending a deadly message on the necessity of far more ambitious climate action.

The threat of increased inflation, questions about the sustainability of public finances, persistent structural issues, and uncertainty about the future of the pandemic, alongside tremors in global markets, result in regional growth predictions of less than 3% this year.

That number could be the lowest of all world regions — making the financing gaps in infrastructure, small-business development, climate action, and the Sustainable Development Goals overall, seem all the more out of reach.

But I am here today to tell you that we at the IDB beg to differ.

With our solutions, this region has proven that it can break the forecasts.

The answer is more action, better action, smarter action — by both our borrowing members and by their steadfast development partner.

Forging a renewed IDB is very much in progress. Our new brand of strategic work engendered the results that have helped buck the regional trends that I just mentioned — but those results also tell us we can do so much more.

And when has there ever been a greater need to do so?

Last year, when a week-long jam blocked the Suez Canal and held up global trade for months — and when a single case of COVID shut down an entire Chinese shipping terminal critical to North American and European markets — I could not help but think of this region.

Regional integration and the insertion of its industries and businesses into international value chains has been minimal compared to the massive potential waiting to be unlocked.

There has never been a more opportune moment in this area for the economies and workforces of Latin America and the Caribbean than today — and it has spurred the IDB into action.

In 2021, the IDB approved \$2.3 billion to strengthen regional value chains, nearly doubling the average amount of the three years before the pandemic. Almost a third of IDB Invest's total commitments were directed to advance this aim.

Today we are the only institution in the world that directly finances “nearshoring”— and we are proud to be at the vanguard.

Our approach was one of breadth and depth, as we supported the implementation of structural reforms and financed demand-driven training programs to help countries attract foreign direct investment and become more competitive exporters.

We helped countries streamline, unify, and modernize logistical and administrative procedures to make trade more efficient. We also invested in a range of regional projects, from road modernization to electricity-market integration, to help close the trade-infrastructure gap.

Our investment forums are fast becoming one of our flagship initiatives, with events last year in Brazil, Ecuador, and Belize, as well as our first ever Miami-LAC forum, generating some \$55 billion in business leads.

And we are leading an effort in 16 countries to identify specific products and sectors readily able to benefit from nearshoring opportunities — from IT services in the Southern Cone, to plastics in the Andes, to aluminum products in the Caribbean, and medical supplies in Central America.

The next steps are analyzing what has held these sectors back, proposing and developing solutions, and enabling them through our financing and tailored technical support.

Let's look at how the Dominican Republic is benefiting from this comprehensive effort.

The country's northwest is home to some 32 free trade zones that host more than 240 companies, many of which are part of global value chains for the medical and electronic equipment industries. It is also home to the Port of Manzanillo, which is now taking a major leap toward becoming one of the country's most important gateways.

A \$100 million IDB loan will be used to construct a modern logistics terminal equipped to handle larger vessels and containerized cargo, along with improvements to road access and related infrastructure.

The port's expansion, which will meet modern climate resilience and natural conservation standards, will stimulate new agricultural exports, help encourage foreign investment, and open up new employment opportunities, with a focus on women and persons with disabilities.

Our challenge is to quickly replicate this, and other success stories in the making, all across the region.

Let me now take you from the Dominican Republic to Brazil, where the IDB is doing some of its most far-reaching work on digitalization — a priority that, quite simply, means the difference between outdated economies and societies and those of a more competitive and inclusive post-COVID tomorrow.

The Bank approved a \$1 billion line of credit for the region's largest country to enable the "Brazil Plus Digital" program's transformative agenda, which includes: more and better connectivity; the adoption of new technologies by the private sector; digital literacy for socioeconomic inclusion; digital talent-building; modernization and improvement of public services; and enhanced transparency — all of the priority areas of the IDB's region-wide digitalization push.

Earlier this month, our Board approved the second tranche of this credit line for the State of São Paulo — funding that will increase productivity and access to private financing for innovation in thousands of micro, small, and medium-sized enterprises, which are the economic backbone of our region. This financing will help grow one of this hemisphere's most vibrant innovation ecosystems.

Speaking of MSMEs, another one of our critical "Vision 2025" pillars, I am pleased to announce that our Bank's unique IDB Lab will exemplify its "innovation for inclusion" mission by investing in a startup that works to digitalize these businesses in Brazil's favelas.

The investment is expected to benefit more than 35,000 small-business owners with a complete digital experience, including for formalizing and improving procurement and for management of finances. It will also serve a consumer population that often buys locally and lacks access to digital payments and e-commerce.

Across the region, as we help MSMEs go digital and innovate for more productivity, we are also working with governments to help close the massive credit gap, especially among women-owned businesses; make them more financially, environmentally, and socially sustainable; and, of course, increase their opportunities to link up to value chains.

The two IDB efforts I have described in Brazil are occurring at greatly differing scales, and through different approaches, but that is exactly why I am mentioning them together. They complement each other — leveraging some of our Bank's many competitive advantages to create impact that is bigger than the sum of its parts.

These synergies, across a better-integrated pipeline of work, allow us to apply our diverse resources for maximum effectiveness. This is key to the new IDB we are building.

The new IDB must also increasingly develop and deploy innovative financial tools — and I am proud to say we have just witnessed a banner year in this regard.

Our recent climate finance work represents not only some of most cutting-edge problem-solving that the IDB has ever done, but is setting the bar for what a multilateral development bank can do.

Indeed, the million-dollar question — or rather, the trillion-dollar question — is how to finance a just net-zero transition, particularly at a time of historically tightened purse strings in the region.

Countries must free up funding by improving the efficiency of public spending, modifying tax systems, and helping shape markets in line with sustainability trends.

They can also look to us for help — and wherever they are in their climate journey, they are doing so.

Last year, we approved our highest amount ever on climate operations, and we aim to provide \$24 billion over the next four years.

But that's not going to cut it. Both our governments and the IDB must also look to the private sector to lead — and with over \$50 trillion of assets seeking ESG investments, there has never been a riper moment.

I've taken you from the Dominican Republic to Brazil, but let's go now to Costa Rica and then to the Bahamas.

The IDB and IDB Lab have helped develop a groundbreaking, new natural-capital asset class to be traded on the New York Stock Exchange that will allow countries and companies, alike, to be compensated for nature-positive management.

Through an IDB project, Costa Rica will be the first country to offer its natural capital in this new exchange.

The move will complement the country's National Decarbonization Plan, which we helped formulate and are helping implement, and which will yield \$41 billion in net benefits within three decades.

We have new, tradeable assets, but we also have several classes of bonds with immense potential for growth.

The IDB and IDB Invest have pioneered the region's green bond market, which grew from \$13 billion to \$30 billion in the last two years. Now, we have launched the Green Bond Transparency Platform, a unique and innovative digital tool that brings greater transparency and supports the harmonization and standardization of reporting. The result is increasing investor confidence, so that we can mobilize more — and better.

At COP26, IDB Invest announced the issuance of the first blue bond in Latin America and the Caribbean, proceeds from which will help finance projects for ocean and freshwater conservation. It's a tool that will be particularly beneficial to our Caribbean island countries, where water is never far away.

That includes the Bahamas, where half of the country's GDP is directly or indirectly tied to the blue economy.

This year, we approved a first-of-its-kind \$200 million policy-based guarantee for the recovery of the country's small businesses in this sector, which will also develop investment projects suitable for blue-bond financing and improve climate-risk management.

Speaking of risk -management, we are also the first multilateral development bank to offer a "hurricane clause." This instrument helps Caribbean and Central American countries defer principal debt payments on eligible IDB loans for two years in the event of an eligible disaster.

And the innovations continue, from new risk-sharing products, to financing platforms, to a groundbreaking IDB Invest project with ENGIE Chile that debuted the world's first pilot to monetize the cost of decarbonization.

And I am happy to report that our Amazon Initiative, launched at last year's Annual Meeting, is fast approaching our \$1 billion funding goal. We are now developing a pipeline of entrepreneurship projects related to the bioeconomy, as we work to ensure the sustainability of perhaps the most precious natural space on our planet.

Despite its climate vulnerability, Latin America and the Caribbean has the renewable energy assets, the natural wealth, and the public support to become a global leader on an issue that knows no borders.

Doing so means reaping enormous socioeconomic benefits, too — and our Bank will apply even more resources, knowledge, and creativity to see this through.

We are equally determined when it comes to a topic that is at once old and new. That is, gender equality and diversity.

How much longer will we hear that the women's labor gap in this region is one of the world's largest, or that up to 70% of its women-led MSMEs do not receive financing? That egregious number is even higher for Afro-descendant and indigenous persons.

But amid emerging global economic stress and the effects of the pandemic, disproportionately felt by women, there has never been a more convincing argument for the need to empower women and their businesses.

If the region woke up tomorrow with its gender gaps closed, we'd see GDPs increase by as much as 23%.

Working together, we must urgently redefine what “business as usual” looks like.

Of all IDB projects approved last year, more than three-quarters helped address gender issues. Across the region, we are providing critical funding to help women-owned businesses grow. And we are the first multilateral organization to offer policy-based lending that features a gender and inclusion lens on labor-market growth, as we have approved for Ecuador.

In Colombia, we helped transition jobs in transportation, a male-dominated line of work, by supporting a program to train hundreds of women as electric-bus drivers — while also supporting the government to integrate Venezuelan migrants of all genders.

In Panama, we are supporting gender-mainstreaming in the public sector. And in Mexico, IDB Invest launched a social bond with a gender perspective — the first issuance of its kind in the country's financial market.

WeXchange, our platform connecting women entrepreneurs in STEM fields, has partnered with Google to accelerate high-potential start-ups. And nearly 700 women entrepreneurs applied for the first call of our Women Growing Together in the Americas program, an initiative with private-sector partners to help integrate businesses into value chains.

Several months ago in Uruguay, the Bank approved its first-ever investment loan focused exclusively on fighting gender-based violence. And in Peru, we are supporting the national strategy for preventing violence against women — a major step forward for the country.

But this is not nearly enough. We must challenge ourselves to do far more, and far better, with new resources and investments that can reshape the region's gender narrative.

However, our institution will only be able to right-size itself and achieve bigger goals insofar as it creates a better version of itself internally.

I am particularly proud that over the past year, the IDB has embarked on a process of stock-taking and self-reflection that has led to key improvements.

To change the region's gender narrative, for example, we must be a model of the way things should be.

In 2021, the IDB and IDB Invest secured EDGE Move certification, becoming the first development bank in the Americas, and just the second globally, to attain this recognition of a gender-equitable workplace.

Behind this achievement was a rigorous independent evaluation of policies, salaries, recruitment efforts, flexible work solutions, and culture.

Twelve months ago, women held about a quarter of our Country Representative positions. Today, that number is nearly 40%. We also progressed toward full parity in our mid-level and senior ranks.

I see this issue as a matter of institutional integrity and accountability — and a direct complement to our broad, new agenda for operational excellence.

That agenda is helping us analyze and maximize the factors that make projects successful. It is helping us track our progress, while improving the efficiency of our resource- use. And it is spearheaded by an executive team that has streamlined decision-making for a more strategic and holistic vision.

Operational excellence means strengthening the project-preparation process through differentiated tracks based on risk; it means enhancing project-design reviews; and improving the governance of technical cooperations for better use of resources.

As a result, a new pilot to streamline project approvals has reduced our processing times by nearly 30%.

And we are holding ourselves even more accountable.

We are improving implementation of projects by establishing a comprehensive portfolio-management model that identifies bottlenecks over the project lifecycle and triggers remedial actions to increase the probability of achieving results.

Our new Corporate Results Framework Indicators Tracker is giving us a clear picture of our priorities in practice — in each country, sector, and project.

It showed us, for example, that last year's approvals supporting climate action reached nearly 80% — a more accurate benchmark for bigger goals. And we have gone even further, linking indicators with our employees' professional development to improve performance.

The use of digital tools for better results is key to creating a modern Bank, from the inside out. We have developed a digital platform to facilitate online disbursements, and this year, our comprehensive digital transformation plan is moving into the implementation phase.

Through the efficiencies and smarter use of technology that I have mentioned, we were able to save more than \$9 million last year.

We also have a bolder vision for our offices in Europe and Asia, as we aim to strengthen relationships beyond the Americas, build new ones, and ensure that the IDB is a key part of the global conversation on Latin America and the Caribbean.

What I have described today are not just results in response to development challenges, but growing momentum for scaling the mountain that Latin America and the Caribbean — together with our Bank — must climb.

The IDB's new value proposition, which our Boards of Governors will consider at this meeting, can lift us upward. And it is what we need to reach a more prosperous future on the other side.

It aims to generate a truly 21st-century institution, with a holistic continuum of support across our public and private windows.

To do so, we want to first and foremost strengthen the region's public sector. On a foundation of increased transparency and rule of law that we seek to build, our Bank will devise more solid fiscal blueprints, better tackle structural bottlenecks, and drive wide-ranging social improvements.

In doing so, we will create conditions that fight poverty and support greater inclusion.

These public-sector transformations will create an enabling environment for a stronger private sector and vigorous foreign investment, opening new markets and creating more formal jobs.

They will also create new capacity for decisive action on climate change and green growth.

At each step, we will rely upon more flexible and varied financial tools, increasingly effective operations, and an approach that seizes synergies.

This is our formula for becoming a more powerful force for recovery and sustainable growth — and for meeting this defining moment for Latin America and the Caribbean.

And so, to all of our clients and stakeholders, thank you for joining us today — and thank you for inspiring and empowering the IDB to become a better version of itself.

If we can realize this institution's full potential, we can forge the most innovative and responsive multilateral development bank in the world — and achieve not just improvements, but transformations, in our 26 borrowing member countries.

We are on our way — and we will stop at nothing less.