

Transcript of Remarks by IDB President Mauricio Claver-Carone Oct. 1, 2020

Good morning! Buenos días! Bonjour! Bom Dia!

It is truly an honor to be here. Today is my first day as the new President of the Inter-American Development Bank. As such, I am speaking to you from our headquarters here in Washington, D.C. I really wish we could be interfacing for the first time in person, but, as you know, circumstances currently prohibit us from doing so. However, I look forward to the day – very soon – when I can welcome you back to a safe and secure workplace.

Just a few hours after the election on September 12, I began to learn more about the impressive work that each of you does every single day. First, I want to thank the great IDB team across offices, from the EVP to HR, for helping us navigate this transition in such a professional manner.

I am deeply honored, but also humbled, by the responsibility given, and the strong mandate received, in last month's election. Today, as my first order of official business, I wanted to speak with you about our vision, our mission and our Bank. I stand before you with one goal, which is to lead one bank, one staff one team – with no silos or egos. I believe that together, with cohesion, humility and perseverance, we can accomplish anything.

My candidacy was a signal of a stronger commitment from the United States to support the region and its institutions. My leadership will be one of inclusion. As a first step, I reached out to those who did not support my candidacy, and we all agreed to work together – on a unified agenda – to help the region recover from this crisis.

I am a first generation Hispanic-American – a product of the dynamic diasporas that have thrived in this country, and who maintain a strong pride in our language and heritage. As such, this election was cast as a historic first. But let me be clear: there is plenty of room for a lot of other firsts regarding the IDB presidency, including a female president, one of Afro-Caribbean heritage, one of indigenous descent and so on. Unfortunately, the old system of limitless presidential terms had stifled the fluidity and diversity of IDB presidencies.

Indeed, the last 60 days have brought a great deal of attention to the Bank, perhaps more than at any point in the last 60 years. Throughout this process, I had the privilege of speaking with dozens of heads of state and ministers throughout the Americas, and it has been truly gratifying to hear how much they value the IDB and what they expect from us. I am pleased to report there is near-consensus regarding the importance of the Bank – and its great potential – for the future of Latin America and the Caribbean.

This institution has a rich history. Throughout the decades, presidents, executives, managers and staff have all greatly contributed to the Bank's mission of advancing



development and periods of economic growth in the region. We honor the last 61 years of history, and now take the lessons from the past, as we chart a course toward the future. What we accomplish together over the next five years – and how we face this once-in-a-century challenge upon us – can redefine the IDB and its role, both regionally and globally.

Where do we want to see Latin America and the Caribbean in 2025 and beyond? Bottom line: we cannot afford to lose another decade. We must overcome the immediate challenges of COVID-19, rebuild stronger economies, move aggressively into the digital space and be a leading example of creating new sectors for investment and growth. We must promote the ideals of *América Crece* – of mutual growth – to strengthen our ties as a region through nearshoring and greater investment; increase access to capital; expand fair and competitive wages; and boost affordable access to energy. These are all drivers of growth for us – for the Americas.

The status quo is not an option. In this crisis, we have to dramatically improve our ability to stimulate the growth, progress and opportunity that the Americas deserve.

The IDB of the 21st century must be innovative, and yes – risk-taking. It must be responsive to the ever-changing needs of the region. As an incubator of new ideas, the IDB has the potential to generate and catalyze private investment and revitalize our traditional development tools to accelerate economic recovery and growth in the region.

In order to execute this vision, we will construct a strong executive team that fulfills the commitments that I made on September 12 – one of diversity, which will ensure that the voices of small countries are heard. We will focus on taking actions and delivering results. We will strengthen governance and transparency. We will build closer ties to the Bank's Board, make structural changes to ensure efficient and effective decision-making, and focus on the IDB's founding principle – whereby success is measured exclusively by the success of its borrowing countries.

I learned many things from my hometown of Miami and from the dynamism of its many diasporas, both big and small, stemming from literally every country in the region represented here today. I learned the potential of the peoples of the Americas. I learned how, regardless of nationality, race, ethnicity or gender, we can all succeed when given access to education, the freedom to innovate and what can be achieved through hard work. This is where I learned the value of human capital. Human capital is the key to development and economic success. The IDB can be a powerful tool to build human capital across the region and make it key to entrepreneurship and growth.

This focus on human capital must begin within the Bank itself. The IDB's staff is its greatest value. In fact, it is the worst-kept secret in town that the IDB has the most talented staff of any multilateral institution. I agree. You have transformative power at your fingertips – and I am here to further empower you.



We must optimize our own human capital. Creativity is key. Executives and managers must cultivate a culture of open and diverse thinking, risk-taking and innovation.

Career development is also critical to strengthening any institution. We must ensure that our staff moves in one direction – upward – with ample opportunities, diverse career experiences and the ability to see impact on the ground. I call on the executives and managers of the Bank to commit to provide space for new opportunities to thrive.

Now, to the business of the Bank.

There is no greater priority than the immediate recovery from COVID-19. We face an unprecedented time in history, which requires a stronger and more responsive IDB. Many of these challenges have been addressed in the Bank's institutional strategy. The priority must now be to execute this strategy at an accelerated pace.

Countries should not have to choose between saving lives in the short-term and foregoing a more prosperous future. Debt will be an important issue and I believe the IDB should lead in these discussions. As such, I will seek to formalize a debt negotiation mechanism through which we can provide guidance and expertise to our borrowing members.

I can tell you first-hand that the government of the United States is making plans regarding distribution and accessibility of COVID-19 vaccines, and Latin America and the Caribbean will be a priority. However, we need to be ready for contingencies, as drastic reductions in growth, combined with a lack of access to capital, will weaken our member states.

This is why I was elected with a mandate to pursue a general capital increase. The IDB is healthy, but needs more resources, so that we can be responsive during this time of historic need in Latin America and the Caribbean. Given the scale of our region's problems, I am convinced the IDB should increase lending from \$12 billion to nearly \$20 billion per year. I have already started discussions on the process of capitalization. I will now formally begin the process in consultation with the Board. I will also begin to mobilize support in the Treasury Department and in the U.S. Congress, and will seek to conclude these efforts no later than by the next scheduled Board of Governors meeting in Barranquilla.

Yet a capital increase is only one way in which we can maximize resources. We have to increase the Bank's strength in the capital markets, in order to increase our borrowing capacity and allow us to boost our lending power. We must also rely on our strength in technical assistance to increase impact in the region, empower our clients to make needed reforms, and create space for investment. We must maximize the instruments that we have, including loan structures, bonds, guarantees, blended finance and co-financing opportunities, and expand new ones, such as the Green Bond.

We need to better serve our clients -- the borrowing countries of the region. In this context, it is not acceptable for the Bank to take an average of seven months to approve an operation. With the Board's support, we will aggressively seek ways to streamline



and simplify our processes. We must also be faster and more ambitious on improving the execution of our projects.

We need to better leverage and arbitrage other international financial institutions. Under my leadership, the IDB will work closely with the World Bank, the IMF, and other multilateral development banks, on catalyzing resources to address the region's needs. At the last G20, the concept of joint country platforms was discussed. The IDB will lead the way globally in working with the World Bank and the IMF, in order to execute a process for joint country platforms. As a first step, I will host a meeting tomorrow with the World Bank President and the IMF Managing to formulate a mechanism for these platforms, and to ensure increased impact through our collective work.

I intend for this partnership to include sister organizations such as the CAF, the Banco Centroamericano de Integración Económica and the various domestic DFIs from throughout our member states.

Partnerships with the private sector are also critical to strengthening the IDB's position. We will increase engagement with industry leaders, to discuss outlooks on the region and create incentives to drive private sector participation.

IDB Invest and IDB Lab provide the Bank with the diversity in its portfolio and the toolsets that the region needs for job growth and long-term development. We must increase the IDB Invest pipeline, execute projects, and finance at greater speed. Meanwhile, IDB Lab is our space for finding creative solutions to the problems the region faces. Now is the time to support innovation at the most "micro" levels. The region, as a whole, needs a "start-up" and the IDB must be the incubator of ideas and solutions to our 21st century development and investment needs.

You will learn that I always see the glass half-full. While we agree on the many challenges the region is facing, we cannot allow this to be a time of lost opportunity. Lost opportunities lead to lost decades and I will not allow this to happen.

The guiding light of my presidency will be the creation of jobs in the region. No greater social and economic impact can be achieved than through employment. The prism of the opportunities that exist are all based on job creation. And not just in job creation, but their formalization. I am concerned that the macroeconomic realities that many countries face today have further weakened social protections for workers. High levels of informality, nearing 56%, are alarming.

The transformational opportunities that exist today for job creation are in digitalization, entrepreneurialism and nearshoring. Digitalization, entrepreneurialism and nearshoring will be the cornerstone of our vision. These opportunities have been magnified, paradoxically, thanks to the pandemic. We cannot let them pass us by.

On digitalization, technology is synonymous with the future, especially for workers. We know this first-hand -- from this empty building -- for the Bank continues to operate through teleworking. However, this only works because we have connectivity -- access to WIFI and the Internet. But what about those in the region who do not have access? And it's not only about access, but about price and quality. In this new era of



telework, companies with a leading edge in technology are outpacing smaller ones that do not. We can do more. The IDB must lead in efforts to expand opportunities for employment through digitalization. The IDB should be the leading edge of advancing connectivity in rural areas, and increasing its use for education, small business, banking, and financing.

On entrepreneurship, small and medium-sized businesses will play a much larger role in the economic recovery. Again, the IDB must lead those efforts. Latin America has the largest gap in financing for small and medium sized businesses in the world -- more than \$85 billion. We must close that gap. Adding insult to injury, women are at the greatest disadvantage for access to financing, even though they are more productive than men -- earning 10% more income when leading small and medium sized businesses. This inequality will worsen with the pandemic. Women are the engines of growth for economies in Latin America and the Caribbean, even more so in the creation of small and medium sized businesses. We will create a short-term gender development strategy, tailored to the COVID-19 response, which will focus specifically on this effort.

On nearshoring, my goal is for the Western Hemisphere to be the most attractive region for direct investment in the world. Unfortunately, we are far behind. Asia's demand for commodities fueled short-term growth in many of our countries, but now, we are paying the price for excessive dependency on those markets. The supply-chain problems created by the pandemic has made this painfully obvious. Today, our region is one of the least integrated in the world. Just 14% of our trade takes place internally. Compare that to 65% in Europe and 47% in East Asia. Greater integration will mean greater growth, which, in turn, will mean more jobs and capital to invest in the type of modern infrastructure and digital networks needed to compete in today's global labor market.

The IDB should be the flagbearer for nearshoring to the benefit of all borrowing countries that do their homework. And IDB Invest, in particular, should expand its toolset, including its equity portfolio, to become the most renowned proponent of nearshoring to the Americas.

Last but certainly not least, the serious effects of climate change are a scientific fact. I have seen the impact firsthand as a child of Miami, witnessing the waters of Biscayne Bay rise and challenge the engineering of downtown Miami, and experiencing the increasingly harsh climate events. Small countries in our region, in the Caribbean and in Central America, are particularly vulnerable to this phenomenon. The IDB must be on the leading edge of disaster resilience, recovery, and strengthening the ability for countries to respond in a timely fashion. We will continue to work toward our goal of doubling climate finance and to develop a clear outlook for actions we can take in the next year to buttress existing efforts.

As you have learned throughout the election, I am not bashful. We must not be bashful. We must raise the IDB's profile on the global stage. I want to amplify greater understanding of the IDB and the work we do, so that we become a global financial powerhouse. The IDB must be more than a brand. We need to be the best advocates



for the region on the global stage. It must be the institution for the region, known for its actions and results.

In sum, we have a lot of work ahead -- of results to achieve and goals to meet. Together as one team we can strengthen the IDB as the preeminent institution in the region and on the global stage. I am honored to be your President and steward, as we navigate these uncharted waters of 2020. The election is over and the voices of the past are behind us. We are now looking in only one direction -- towards the future, towards a stronger Bank with a clear vision for a speedy recovery and a return to growth.

I am excited to hear your stories and ideas, whether through the virtual interfaces that we are all using today, or in the visits to our country offices that I soon hope to be making.

When we do meet, please don't call me "Mr. President."

Call me Mauricio.

I am your colleague, your advocate and your ally in this important enterprise.

Thank you.