

Miami-LAC 2021

Remarks for Special Closing Event

IDB President Mauricio Claver-Carone

**Thursday, June 24, 2021
7:30 p.m. EDT**

Good evening, and welcome!

On behalf of the Inter-American Development Bank, I want to thank all of you – from the Miami officials, executives, and entrepreneurs, to the leaders of businesses large and small, whose lives, investments and value chains straddle North and South America.

Thanks as well to my IDB colleagues.

You have all made this forum a resounding success.

I walked these streets as a child – like so many of my Latin American neighbors at the time – and I have seen with my own eyes how the cultures, histories, and businesses from across the region can flourish and enrich one another.

But while that personal context is always with me, the IDB is here this week for the same reason we were in Ecuador and Brazil earlier this month, and in Spain just a few weeks before:

In the face of COVID-19, debt projections and the myriad challenges our region faces, our single-minded pursuit is to accelerate recovery, improve lives, and create the conditions for sustainable and inclusive growth in our 26 borrowing member countries.

By leveraging South Florida, we are reinforcing one side of a triangle that connects the United States to Latin America and the Caribbean; Latin America and the Caribbean to Spain and Europe; and back.

This transatlantic relationship is key to unlocking a more prosperous, competitive, resilient future for the countries we serve, while strengthening all points on that triangle in the process.

In many ways, Miami is the U.S. gateway for our countries. That's due to robust social and commercial connections that have long existed. Nearly a third of all U.S. exports to Latin America and the Caribbean currently flow through Florida.

But Miami is also a gateway because of a more recent trend, enabled by a well-established business-friendly environment.

The nearly \$1 billion that this city attracted in venture capital last year is testament to what it has become: one of the hottest tech and innovation startup hubs in our hemisphere.

The IDB's goal is to make sure that this doesn't stop there.

The value of the tech startup sphere in *Latin America and the Caribbean* has grown by an astounding 3,200% in the last decade. And one of the effects of the pandemic has been to supercharge the digitalization trend.

This, then, is the moment to digitally refresh the links between this city and our region.

In fueling the expansion of a digital entrepreneurship and innovation ecosystem in Latin America and the Caribbean, we can forge a true *inter-American* ecosystem – one in which small, medium-sized and large companies on both sides of the equator can grow together – creating new value chains in services, finding new markets, and expanding financial inclusion.

I am confident that the insights we have shared and the business connections we have forged during this forum will bear fruit long into the future – for the benefit of the North, Central and South Americas.

In our region, the official death toll from COVID-19 is now nearly 1.3 million people. With just 8% of the global population, we have mourned 30% of total deaths, and South America's death rate is now eight times higher than the world's rate. More than 30 million jobs have been lost in our region due to the pandemic.

More than 50 million people dropped out of the middle class last year – undoing a decade of hard-won progress and worsening already-historic inequality.

And an estimated 170 million students in our region have been impacted by school closures and other impediments to education.

The statistics are sobering – but at the IDB, we also see great momentum on the other side of this crisis, and ripe opportunities to reinvest in a better future.

As we heard during the forum, digitalization and the digital economy is one among several areas of high potential, but there is one prerequisite upon which recovery and growth depends: vaccines.

The IDB applauds the United States and other donor countries for sharing life-saving shots with Latin America and the Caribbean, and we continue to make the case for increased resources for the COVAX facility.

The pace of vaccine distribution is not adequate. Access must be equitable, both across the world and within countries. COVID-19 will never truly be conquered unless these conditions are met.

From the start, the IDB has worked closely with institutional partners to coordinate our contribution to this fight.

We mobilized \$1 billion to assist our borrowing members in purchasing and distributing vaccines, prioritizing small countries and those with less capacity for their own financing.

We are also the first multilateral development bank to help countries facilitate negotiations to obtain vaccines by providing indemnity coverage.

The governments of our region have been forced to weigh saving lives against livelihoods. The Bank is determined to help them render that decision *triumphantly irrelevant*.

Our vaccine support is part of a broader response to this crisis that saw us approve a record \$21.6 billion in new financing across sectors last year.

I am pleased to announce that one month from today, we will complete a disbursement of \$1 billion to Brazil to help preserve minimum income and employment for some of the most vulnerable.

Just yesterday, we approved non-reimbursable funding of \$70 million for Haiti, which will go toward money transfers and school-based food programs.

And at the same time, we are looking to the future.

Our roadmap is called “Vision 2025,” a strategy for boldly reinvesting in the Americas.

It’s a plan to not only accelerate recovery, but help flip another potentially lost decade into one of opportunity, prosperity and resilience.

“Vision 2025” identifies five priority areas of work for the IDB to help set the region on this path. We have considered them all this week, explicitly or implicitly.

Along with digitalization, they are: regional integration and strengthened value chains; support for small and medium-sized businesses; gender equality; and action to confront climate change.

Let's start with digitalization and the digital economy, the topic that's foremost on our minds.

The global digital-transformation market is expected to grow by almost 24% annually through 2028, and the e-commerce market grew faster last year in our region than in any other.

Companies like MercadoLibre and Ualá are thriving because people have internet access – but far from all do.

Closing our region's connectivity gap with OECD countries could boost GDP by 7.7% and create more than 15 million direct jobs. According to our new Broadband Development Index, doing so requires an investment of more than \$68 billion.

Last week, IDB Invest announced its latest mobilization in this area – new financing to develop the shared telecom infrastructure market in Ecuador.

Also last week, IDB Lab signed an MoU with NovoPayment, a startup based right here in Miami that provides digital financial services to our region. The company is thereby joining LACChain, the regional blockchain alliance we're leading.

And just yesterday, we released a VAT Digital Toolkit to assist our countries' tax authorities in managing e-commerce revenue.

In a few days' time, our Board is set to approve a \$230 million loan to Argentina to boost the capacity of its National Innovation System.

The five priority work areas in "Vision 2025" are all linked.

Our new initiatives in support of small and medium-sized businesses are case in point.

Despite representing 99% of our region's businesses and more than 60% of formal jobs, they only account for 25% of GDP.

A major factor is the \$1 trillion financing gap they face – funding which, among other uses, would support digitalization.

Last week, we approved a \$300 million credit line for Peru to help meet this technology need.

The first operation under this umbrella will finance business-innovation projects chosen through a competitive process and will provide guarantees for scaling up. The funds will also help strengthen the country's Innovative Women Entrepreneurs Network.

In Latin America and the Caribbean, 70% of women-led MSMEs that apply for credit do not get it.

IDB Invest has just announced that it is investing in the Mexican challenger bank Kubo, which will grow its MSMEs and financial inclusion portfolio, with a focus on women-led businesses.

In perhaps no other area has the pandemic led to greater opportunity than regarding value chains.

Nearshoring – a trend that was gaining steam before the pandemic accelerated it – offers a once-in-a-generation chance for our region to attract new investment.

Whether it's a story of PPE shortages, geopolitical factors, or the blockage of the Suez Canal, the realignment of value chains closer to end markets is motivated by the need for greater reliability.

We estimate that if Latin America and the Caribbean could capture just 10% of U.S. imports from its top ten main countries of origin outside the Western Hemisphere – of products that the region *already exports* to the U.S. – it would mean an additional \$70 billion annually for our countries.

There are clear near-term opportunities, ranging from the medical goods industry in Costa Rica to aviation manufacturing in Brazil and textiles in Central America.

Argentina, Bolivia and Chile hold more than half of the world's lithium deposits, and South America is also rich in rare earths that are critical for solar panels, wind turbines and electric vehicles.

While ensuring environmental and social sustainability, our region can fuel the Western Hemisphere value chains that are ready to form and grow.

The development gains that could result from these dynamics – from more formal jobs to more resources for communities – are a pathway to recovery.

And so, we are helping countries boost foreign direct investment; modernize trade logistics; and shrink the sizable infrastructure gap – most recently, through a \$100 million loan we approved this month for the Dominican Republic, to modernize one of its key ports.

If we see this potential through, Miami can be a central node in these strengthened value chains.

We also envision what the women of our region could accomplish if gender equality were finally achieved. For our societies and balance sheets alike, this is not just a moral priority, but a priority for recovery and long-term development.

We can find inspiration in the very local story of Julia Tuttle, whose land holdings and investor outreach would make her the only woman in U.S. history to found a major city – right here in Miami.

Today in Latin America and the Caribbean, the gender gap in labor stands at 27%, one of the world's largest.

Responsible for the vast majority of domestic work and dependent care, women have fallen out of the workforce more quickly during the pandemic, and returned more slowly, than the men of our region.

But think of this:

Closing the gap could increase the region's GDP by an average of almost 23%.

I am proud of our Gender Parity Taskforces, public-private collaborations we worked to establish in several countries, including Chile and Panama.

Parity and empowerment are also goals for our new private-sector coalition. Launched in February with 40 corporate executives, the number of companies involved has more than doubled – including many of the regional and global leaders here with us in Miami.

Yesterday, several of them were present for the launch of the Digital Transformation for Trade Challenge, part of the Women Growing Together in the Americas Program. The Program, unveiled at our Annual Meeting, will help women integrate their businesses into regional and global value chains.

I am also proud that almost 40% of the IDB's COVID-19 loan operations have reflected the differential effects of the pandemic on women and girls.

Some provided monetary transfers for women and loans for women-owned SMEs. Others boosted access to social services, including resources related to domestic violence – another plague that we continue to fight.

Our focus on inclusion and diversity also extends beyond gender.

Afro-descendants make up well over a fifth of the region's population, but represent approximately half of the poor. LGBTQ+ people often remain excluded and unprotected.

Indigenous peoples are almost three times more likely to live in extreme poverty. And children with disabilities are 10% less likely to attend school.

We will continue striving to correct these wrongs through our investments and our partnerships.

Finally, “Vision 2025” identifies the imperative for action on climate change and resilience.

Like the pandemic, this is a challenge that knows no borders. Like the pandemic, it can destroy lives and livelihoods.

Unlike the pandemic, there is no vaccine. It’s a matter of priorities, commitment, and bold mitigation and adaption investments that we simply must make.

Unless global warming is limited to less than 2 degrees Celsius, our region will suffer damage from climate impacts that could reach \$100 billion a year by 2050.

More than 30 million people could seek to migrate from Central America to the United States in that period, driven mainly by climate-induced food insecurity.

At the same time, our region is also one of the world’s most susceptible to natural disasters worsened by climate change, such as Hurricanes Eta and Iota last fall.

However, potential exists for breakthroughs in this area, too.

Now is once and for all the time to dispel the myth that action on climate change is incompatible with economic growth.

The path towards decarbonization could create 15 million net new jobs in Latin America and the Caribbean by 2030, in areas such as plant-based food production, renewable energy and construction.

Costa Rica’s effort, which we have been proud to support, proves the reality behind this kind of statistic.

And every dollar invested in resilience can save four dollars in post-disaster response and reconstruction costs.

The IDB has committed to a floor of 30% climate financing through 2023 – ensuring over \$5 billion annually.

Our lending supports a sustainable blue economy, so critical to our Caribbean countries, and protection of biodiversity – critical to every nation.

To help countries finance Paris Agreement pledges, we have pioneered our region's green bond market. We are actively working for its expansion, including through our new Green Bond Transparency Platform.

On June 28, our "One Region, One Commitment" summit will showcase our countries' action on climate and biodiversity and make the case for greater ambition on the road to COP26. I invite you to tune in!

Tonight, I have given you a small panorama of our region, and of the IDB's strategic work in support of its future.

Here in Miami, let me express my gratitude for the renewed level of U.S. commitment to the development of Latin America and the Caribbean that we are starting to see. This commitment signals an appreciation of the many ways in which our hemisphere is connected.

Together, we have the power to reinvigorate the best of those connections through trade, investment, and innovation.

It will be a crucial element in our region's reactivation and future prospects.

We at the IDB believe in those prospects, despite many of today's sobering statistics.

That is, in part, because we believe in the people of Latin America and the Caribbean – just as we always have, through 61 years of work in their service.

I hope you will join us in our mission to realize the transformations that are, indeed, within reach.

Thank you!