DEVELOPMENT COMMITTEE
(Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND TWO MEETING
WASHINGTON, DC – OCTOBER 16, 2020 (VIRTUAL)

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Statement by
Mauricio Claver-Carone
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102nd Meeting of the Development Committee

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On behalf of the Inter-American Development Bank (IDB) Group, I would like to express my appreciation for the invitation to participate as an Observer in the 102nd Meeting of the Development Committee. As one of the development community’s leading forums for discussing practice and charting coordinated action, this Committee’s consideration of COVID-19 crisis will have a direct bearing on lives and livelihoods around the globe.

The collective response of MDBs to the pandemic is proof that our institutions can work as a system, finding complementarities to maximize each other’s efforts. Our immediate response to the health emergency included support for disease containment, diagnosis, and treatment as well as strengthening of national health systems. In doing so, we leveraged on each other’s technical resources and field presences wherever possible. To help countries address the short-, medium- and long-term effects of the pandemic on the social, economic, and fiscal levels, our institutions swiftly mobilized substantial resources. Our aggregate financial response has exceeded $210 billion, and we estimate that collectively, MDBs can provide approximately $360 billion in additional support between now and the end of 2021.

The IDB Group’s response, in coordination with our sister MDBs, has focused on four priority areas:

1) strengthening public health preparation and response capacity
2) safety nets for vulnerable populations
3) economic productivity and employment
4) fiscal policies to ameliorate economic impacts

In the early stages of the crisis, the Bank’s existing portfolio of health projects were reprogrammed to support countries’ responses. Additionally, governments were able to request the redirection of resources from projects in execution in non-health sectors. As the crisis deepened, so too has our response.

We expect the IDB Group’s total loan approvals this year to reach $22.5 billion. This figure includes $15.5 billion in new approvals and reformulations of sovereign-guaranteed (SG) lending, and $7 billion in non-sovereign-guaranteed (NSG) lending. Our aggregated disbursements for the year are expected to total approximately $20.4 billion, composed of $15.5 billion in SG financing and $4.9 billion in NSG financing.
This has been the largest and fastest crisis response in the 61 years of the IDB, exceeding our response to the 2008-2009 global financial crisis by around 60%.

Let me share a few more details about the private-sector components of our effort. IDB Invest, our private-sector arm, launched a $500 million Crisis Mitigation Facility, investing in health-related sectors and providing SMEs with access to short-term lending through financial intermediaries and supply chain finance. IDB Lab, our innovation incubator, is complementing these efforts with an envelope of up to $75 million that is deploying grants, equity and loans to address impacts and support high-potential startups.

In addition to our lending support, the IDB Group is also directing technical expertise to assist the countries of our region in designing, implementing, and monitoring COVID-19 responses.

I am convinced that the MDBs can do more. Therefore, I propose to revamp the work of the IDB Group to more boldly address this historic level of need. Job creation, which will be central to a post-COVID-19 recovery, will be the guiding principle of my tenure. Digitalization, including affordable, high-quality internet in rural areas, as well as in education, banking and finance, will be a major goal. So too will support for entrepreneurship in our region. The IDB Group must help close an estimated $85 billion gap – the world’s largest – in financing for SMEs in our region. We must facilitate a significantly larger role for the private sector in development and recovery, boosting regional integration to encourage nearshoring. To pursue these objectives, we will seek a capital increase that would enable annual lending to grow from $12 billion to nearly $20 billion.

Collectively, the MDBs must continue finding synergies so that the whole system is larger than the sum of its parts. This is, indeed, what the G20 Eminent Persons Group has recommended. Specifically, we need to advance in the creation of joint country platforms to increase the power of our combined financing and development impact. We must also pursue more parallel financing among ourselves, and we need to crowd-in more private sector investment through guarantee operations and project finance de-risking.

Finally, with respect to debt issues, the DSSI has been a success story of collective action on the part of the G20 to the benefit of the poorest countries. The contribution of the MDBs to this and related efforts has been mainly through the provision of positive net flows. MDBs have proactively focused on providing new money at scale, with speed, and, as much as possible, on concessional terms consistent with the counter-cyclical purpose for which we were created. According to the Institute of International Finance, portfolio outflows from emerging markets are today more than three times that of the financial crisis of 2008-2009 – and so our financing could not be more critical. Furthermore, MDBs also provide donors with a vehicle to scale up the impact of additional development funding.

If the international community decides to extend the DSSI, the IDB Group is ready to continue supporting the effort by increasing the provision of positive net flows. To ensure the effectiveness and impact of this step, each participant must do their part. As such, we join the call for debt transparency and data reconciliation for both providers and recipients of finance. Likewise, we support the call for more private-sector participation in the initiative.