

Vision for the Interamerican Development Bank: 2020-2025

(Statement by Augusto Lopez Claros)

The purpose of the Interamerican Development Bank, as laid out in its establishment Agreement, is “to contribute to the acceleration of the process of economic development of the member countries, individually and collectively.” In this respect, the Agreement echoed similar sentiments expressed in the United Nations Charter, which in 1945 called for the use of “international machinery for the promotion of the economic and social advancement of all peoples.” As the IDB enters its seventh decade, against the background of the most severe global economic crisis since the Great Depression precipitated by the coronavirus pandemic, it is appropriate to ask what role the IDB will play in coming years to help the region return to a path of inclusive, sustainable economic growth and development. (Given the importance of COVID-19, I have addressed some of its ramifications in “Responding to COVID-19: Priorities Now and Preparing for the Future,” which can be seen [here](#)).

I broadly support the Bank’s current strategy of promoting greater social inclusion and equality. At least some of the disquiet seen in 2019, prior to the onset of COVID-19, reflects concerns on the part of broad segments of the region’s population about slowing economic growth, and perceptions that its recent modest benefits have not been [equitably distributed](#). Latin America has worrisome levels of income inequality, which engenders political instability and undermines the resilience of democratic processes and institutions. Moreover, the link between inequality and social breakdown has become more acute in recent decades because of developments in communication technologies: income disparities are much more glaring—and dispiriting—than they were three decades ago.

The IDB should, therefore, promote public policies that will help restore a more inclusive vision of development in the region and play a leadership and catalytic role in engaging with the private sector and civil society in support of innovative new approaches to social inclusion. The challenges are formidable and span a broad spectrum of issues. But the good news is that there is a vast treasure trove of relevant knowledge drawn from the experiences of other countries in the world that can be tapped for insight and potential application. These include: (a) better management of scarce public resources, with greater priority given to investments in education and the nurturing of skills, particularly among the young; (b) modernization of dilapidated infrastructure; and (c) improving the quality of public health systems, which COVID-19 has shown to be in a state of disrepair in many countries in the region. Addressing these challenges will also involve a fundamental rethinking of current government spending priorities, as many countries in the region now misallocate resources in poorly targeted subsidies and waste substantial resources in other “unproductive expenditures.” Furthermore, there must be a stronger commitment to the use of public policy to foster a more efficient deployment of budgetary resources with due regard to the sustainable management of [public finances](#), as too many countries in the region are already operating well beyond prudent levels of indebtedness.

The region must further promote the empowerment of women. The education of girls has proven to be especially effective for delivering a demographic dividend that boosts per capita economic growth. As growing numbers of women join the workforce, they contribute more to family income,

resulting in higher savings, more productive investment, and better use and repayment of credit, all beneficial for economic growth. Other studies show that greater female power in the household fosters higher investment in children's health and education, thereby planting the seeds for the accumulation of human capital in the next generation. Judging by the experience of other developed countries, the political empowerment of women, who remain underrepresented in parliaments and on company boards, will also improve the quality of governance in the region. Gender equality is fundamental for [human prosperity](#).

Corruption, as shown by many publicly available governance datasets, remains a serious problem in Latin America. We now better understand the destructive consequences of corruption, which reduces government revenue, fosters an underground economy, discourages private sector development, worsens income distribution, increases uncertainty, and leads to various forms of crime. In short, [corruption is devastating](#) for human prosperity. There already exists a vast arsenal of effective instruments for helping countries tackle the challenges of endemic corruption, from greater transparency and openness in government spending, to reducing cumbersome and opaque regulations, deploying smart technologies, and stimulating stronger international cooperation in the context of various multilateral anticorruption [initiatives](#). The stakes for the region could not be higher, as corruption reduces the legitimacy of government in the eyes of civil society and the business community and sharply undermines support for public policies, however well-designed. The IDB should continue to strengthen institutional capacity and the rule of law in the region, recognizing that laws should be of general application, well-known to all affected parties, understandable, not subject to internal contradictions or retroactive application, nor subject to frequent or arbitrary change—all key elements of an effective rule-of-law framework.

Over the next several decades, Latin America and the Caribbean will be increasingly affected by climate change and its collateral effects, including rising sea levels, biodiversity loss and disruptions in weather patterns, with potentially destabilizing consequences for the [region's agriculture](#). Significant investments will be required to transition from fossil fuels to renewable energies, transform transportation networks, adapt industrial processes and agriculture, increase community resilience to natural disasters, and anticipate the displacement of coastal populations and those vulnerable to drought.

Confronting these challenges will require more effective mechanisms of international cooperation, both globally and within the region, particularly against the backdrop of COVID-19. The IDB has a unique opportunity in coming years to take the lead in promoting greater regional economic integration. Latin America and the Caribbean would benefit greatly from freer mobility of the factors of production, and from creating an enlarged economic space where synergies and complementarities could be exploited to improve productivity and efficiency. It is my firm conviction that the vision of a more united region could be a powerful cohesive force, serving both as an effective catalyst for change and modernization, and providing the impetus for a new stage in the economic and social development of the region.