



ASSISTANT SECRETARY

*Statement by the Temporary Alternate Governor for the United States of America
Alexia Latortue*

On behalf of Treasury Secretary Janet Yellen, I would like to thank the Government and people of the Dominican Republic for generously hosting the 2024 Inter-American Development Bank (IDB) Group Annual Meetings of the Boards of Governors. I would like to recognize President Ilan Goldfajn, Executive Vice President Jordan Schwartz, Chief Executive Officer of IDB Invest James Scriven, and Chief Executive Officer of IDB Lab Irene Arias Hofman for their vision and energetic leadership of the institution so that, as a unified Group, it can continue to be an engine for growth, innovation, and progress across Latin America and the Caribbean. I also wish to thank Finance Minister Héctor Alexander and his team for their leadership in preparing for this meeting. We congratulate Finance Minister José Manuel “Jochi” Vicente for his election as Chair of these Annual Meetings, and thank him in advance for the work with Governors over the year to come. I would also like to recognize and note our appreciation for the staff of the IDB Group for their commitment and tireless work to support the aspirations of the people of Latin America and the Caribbean.

Regional Economic and Political Developments

Decisive actions by many independent central banks in the region were vital to taming high inflation that reemerged after the pandemic. Macro vulnerabilities, with some obvious exceptions, are contained.

Yet the region’s long-standing growth challenges – modest investment, declining demographic dividend, and an absence of productivity growth – stand in the way of the region emerging fully from the pandemic’s shadow. We have learned that sustainable macroeconomic policies are necessary but not sufficient inputs to inclusive and equitable growth.

Crime and violence have been a scourge for many countries in the region –and their inhabitants – for many years, and these threats are spreading. We need a better analytic framework for understanding the impact of weak citizen security on investment, consumption, and employment, and we need a fresh way of thinking about how development agencies should respond. Similarly, persistent gender inequality and gender-based violence holds back women from achieving their full potential. New approaches are needed to allow women and minorities, including indigenous groups, to access the opportunities the region presents.

The end result of the lack of opportunity for many in the region is revealed by historically high migration to the United States, often through routes that are dangerous and undignified. This is unsustainable.

Fortunately, buoyant U.S. growth, friend-shoring opportunities, and the accelerating development of supply chains related to the new energy economy can provide new opportunities. Secretary Yellen was in Mexico in December to discuss these issues with Finance Minister Ramirez de la O. The Secretary was also just in Chile, where she had excellent discussions with

Minister Marcel. And she discussed these issues with Brazilian Finance Minister Haddad during his chairmanship of the São Paulo meetings of the G20.

An Innovative and Impactful IDB Invest

When we convened in Panama City last year, Governors mandated a proposal for the next phase of IDB Invest. This year, we are pleased to welcome IDB Invest's detailed New Vision and Business Model, as well as the proposal for a \$3.5 billion capital increase for IDB Invest. The New Vision and Business Model, or IDB Invest 2.0, represents an innovative and ambitious approach to mobilizing the higher levels of private sector investment that are critical for the region while also making more efficient and effective use of IDB Invest resources. Armed with greater capacity to support local currency financing and provide more equity, IDB Invest will help generate over \$100 billion of long-term financing to the region over a 10-year period, with over 50 percent of that amount achieved through mobilization. With IDB Invest 2.0 projected to reach 2.5 million mid and small-sized enterprises, as well as support for 9.5 million jobs, the capital increase will deliver sustainable and inclusive long-term job creation and growth that will bolster hemispheric prosperity. This new approach is yet one more example of the IDB Group's capacity for innovation.

At the Summit of the Americas, President Biden championed the IDB Invest capital increase, and the United States believes this agreement on a \$3.5 billion capital increase represents a tremendous success for IDB Invest and the people of Latin America and the Caribbean. In partnership and through enhanced connectivity across the rest of the IDB Group, IDB Invest will evolve to become even more effective and impactful.

Inter-American Development Bank Group Institutional Strategy

Last year, Governors also mandated IDB Group Management to develop a new Institutional Strategy that strengthens coordination across the arms of the IDB Group and proposes concrete Group-wide reforms to improve development impact and efficiency. Governors also directed Management to embed reforms outlined in the Washington Resolution into the Institutional Strategy, namely to: undertake further reforms to improve development effectiveness; assess options for balance sheet optimization; address the needs of fragile and conflict-affected states and regions; reduce poverty and inequality; develop a strategy to address the unique needs of the Caribbean; review lending instruments and allocations; and better address the region's needs in areas such as climate, labor markets, social protection, and health and education.

A strong private sector requires a strong and enabling public sector. That is why the United States is so pleased that the new Institutional Strategy presents a concrete plan to improve development effectiveness, address the region's vulnerabilities, combat climate change, and foster meaningful economic and social progress. In particular, we recognize the serious effort to reform policy-based loans to make them more impactful. We support President Goldfajn and his team's work to reform this instrument so that it can more effectively advance policy reforms that enable economic development. The Institutional Strategy also emphasizes leveraging Group-wide synergies to support private sector-led growth, such as by improving the business legal and regulatory environment, and funding upstream work in regulatory areas that will facilitate

commercial financing. By infusing the principles and practices of transparency, accountability, and partnership with civil society across the Institutional Strategy, the IDB Group will deliver increased benefits for the lives and livelihoods of the region's people.

The IDB Group and Evolution of Multilateral Development Banks (MDBs)

Secretary Yellen has spearheaded an effort for MDBs to evolve and more effectively address transboundary challenges – such as climate change, pandemics and fragility and conflict – that are critical to protecting and enhancing delivery on poverty reduction and the Sustainable Development Goals. The IDB Group Institutional Strategy captures the core tenets of the MDB evolution agenda, including updating and reforming the Group's incentive structures, operational approach, and financial capacity. Plans to review the country classification framework to better reflect country vulnerability and effectively deploy concessionality will optimize lending incentives, while a revised strategy to incentivize staff to work in situations of fragility, conflict, crime and violence will increase development impact. The new business model of IDB Invest embodies the cross-cutting priority of private capital mobilization embedded in the MDB evolution agenda. Others in the broader multilateral development bank system are watching and will be eager to learn from IDB Invest's implementation of this model. We encourage Management to go even further in its efforts to implement the G20 MDB capital adequacy framework review recommendations. We look forward to working with Management and other shareholders in seeing these reforms fully implemented.

Our gathering here on the island of Hispaniola highlights the IDB Group's commitment to the Caribbean. There is more that the Group can do to address the needs of small, vulnerable and low-lying states in the Caribbean, as well as populations affected by conflict, crime and violence ("FCCV situations") – such as across the border in Haiti. We welcome that the Institutional Strategy incorporates a One Caribbean Strategy, as well as a framework for supporting populations in FCCV situations, and look forward to seeing Management's implementation of these frameworks alongside the Institutional Strategy.

We also recognize IDB Lab's commitment to seeding projects in small and vulnerable states, and look forward to seeing greater levels of support for innovation and entrepreneurship in those countries through the Lab's replenishment.

The IDB Group, Regional Supply Chains and Nearshoring

The United States supplied almost 40 percent of the record \$224.5 billion in foreign direct investment (FDI) that Latin America and the Caribbean received in 2022, and importantly intra-regional FDI is also increasing significantly. Through partnership with the region and the IDB Group, including the IDB Invest capital increase, we will bolster this trend. The IDB Group hosted the successful Americas Partnership for Economic Prosperity (APEP) Responsible Investment Forum this past November in Washington. We look forward to the Group continuing to play a crucial role in nurturing hemispheric prosperity during the coming year, including by fostering competitive, resilient, inclusive, and sustainable investment throughout the region. We appreciate that the IDB Group is assisting with competitiveness assessments of priority supply chains including medical supplies, semiconductors, and clean energy, to inform nearshoring in

the Western Hemisphere. We also applaud Management’s initiative in launching the “BID for the Americas” program, which aims to create opportunities for trade and investment in the region, and procurement opportunities for projects financed by the Group. We likewise welcome the IDB Group’s efforts to develop a Bidder Center, an online portal that provides greater knowledge resources and digital tools to promote project opportunities.

Our Commitment to Latin America and the Caribbean

The people of the United States and of the Latin America and the Caribbean region are inextricably linked, bound not just by geography but also shared values and aspirations to be prosperous, democratic, and secure. Strong partnerships with Latin America and the Caribbean are a key priority of the Biden-Harris Administration, and we aim to strengthen bonds with the region through the Americas Partnership for Economic Prosperity (APEP) and our Partnership to Address the Climate Crisis 2030 (PACC 2030). Led by Vice President Harris, PACC 2030 has been working to strengthen development finance and enhance green infrastructure so that our Caribbean partners will be better positioned to address the challenges of climate change and take advantage of the opportunities of the green economy.

The United States stands firmly by the IDB Group, as one of our most important partners in the region. The IDB Invest capital increase – which President Biden championed at the Summit of the Americas in 2022 – represents a tremendous success for the entire IDB Group and the people of Latin America and the Caribbean. We are deeply committed to continuing and growing our partnership with the IDB Group and fellow shareholders to accelerate strong, sustainable, and inclusive economic growth undergirded by commitments to democracy, equality, transparency, anti-corruption, and the rule of law throughout our common region.