

Input of the Inter-American Development Bank (IDB) Group to the 2020 High Level Political Forum

Steps taken by the IDB Group to support the 2030 Agenda and SDG implementation

The IDB Group submits the following input on the steps that the institution is taking to support the implementation of the Sustainable Development Goals (SDGs), to be considered for the [2020 High Level Political Forum](#) (HLPF) and the implementation of the [2030 Agenda for Sustainable Development](#). This document reflects on IDB Group's strategic direction, in line with the 2030 Agenda, its [Charter mission](#), and the priorities set forth in its recent update to the [Institutional Strategy](#). It also reflects on the theme for the 2020 HLPF and the United Nations (UN) Economic and Social Council (ECOSOC), "Accelerated action and transformative pathways: realizing the decade of action and delivery for sustainable development".¹

I. Introduction: 2020 and the need for a decade of action

The year 2020 marks a key milestone in the drive toward the achievement of the SDGs. Five years have passed since the adoption of the [Sustainable Development Goals](#) (SDGs) and the Paris [climate agreements](#) and only 10 years remain to meet the ambition of the SDG. As the 2019 UN Secretary General (SG) roadmap report² indicates that progress is still insufficient and too slow, 2020 should be the beginning of a new bolder, more urgent phase of implementation of the SDGs. While World GDP is estimated at over US\$80 trillion³ (tn) and global gross financial assets at US\$200tn,⁴ available finance is not being channeled towards sustainable, inclusive development at the scale and speed needed to meet the critical deadline. This *status quo* is especially daunting for developing countries, which are estimated to face a US\$2.5-3tn gap per year⁵ to achieve the SDGs. Furthermore, many of the negative externalities and their impacts may be felt well before the 2030 deadline if accelerated, transformative actions are not taken, as is the case of climate, where negative effects in the form of floods, hurricanes and warmer winters are already a reality.

Against this backdrop, the IDB Group fully endorses the UN HLPF call for a "decade of action and delivery for sustainable development" through accelerated actions and transformative pathways. Recognizing that development is not linear and that the 2030 Agenda is relevant for all countries regardless of their stage of development, the IDB Group is taking the following measures within its mandate, membership and strategic directions to accelerate the pathway towards achieving the SDGs in the Latin American and Caribbean (LAC) region on time.

¹ <https://sustainabledevelopment.un.org/hlpf/2020>.

² <https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/UN-SG-Roadmap-Financing-the-SDGs-July-2019.pdf>.

³ [World Bank databank](#), Gross Domestic Product (GDP) series.

⁴ Allianz Global Wealth Report (2018).

⁵ UNCTAD [World Investment Report](#).

II. Key policies and measures to ensure accelerated action and transformative pathways

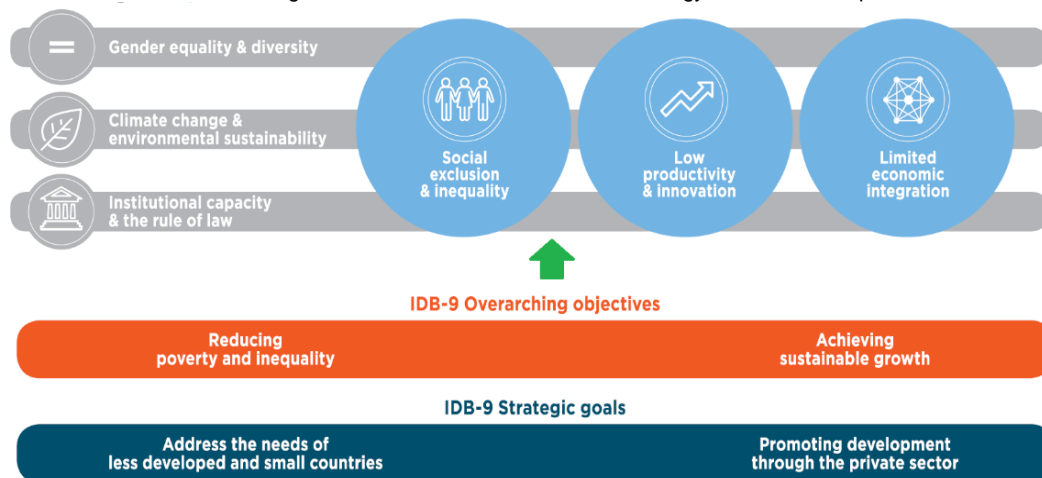
1. IDB’s strategic alignment to the decade of action

Thanks to the recent review and updates to its core strategic documents—the Institutional Strategy (IS) and the Corporate Results Framework (CRF)—the IDB Group is well-positioned to build on the steps it has taken recently to help countries implement the 2030 Agenda and do more to help them translate the SDGs into meaningful and realistic country development objectives.

The IS serves as the IDB Group’s core strategic guidance. It was adopted in 2010 under the 9th General Capital Increase (IDB-9) and, in line with IDB-9 Governors’ mandate, it is reviewed and updated every four years. The first update covered the years 2016-2019 and was informed by the SDGs as the exercise coincided with the year the 2030 was drafted. The second, most recent update covers the period 2020-2023 and, together with the updated CRF, consolidated IDB Group’s strategic alignment with the SDGs. Given the significant changes in the global and regional context and following the recommendations of the independent Office of Evaluation and Oversight (OVE), it was deemed that a 4-year period may not be enough to achieve significant progress in fostering sustainable, inclusive country and regional growth. In this regard, the updates to the IS, valid for 4 years, were written with a 10-year horizon in mind.⁶ This action aligns the IS with the timeline that the international community set for the 2030 Agenda and the HLPF’s “decade of action and delivery for sustainable development”.

Furthermore, the strategic priorities established throughout the IS exercises remain not only relevant in the context of the 2030 Agenda, but also enjoy strong institutional and country ownership as they stem from dialogue and consultations between Management and Governors and thus enjoy a high degree of consensus by the membership. Governors’ original IDB-9 mandates of 1) fostering sustainable growth, 2) reducing poverty and inequality, 3) addressing the needs of less-developed and small countries, and 4) promoting development through the private sector, were rearranged in the first update to the IS into three development challenges to be tackled—inclusion and equality, productivity and innovation, and economic integration—and three cross-cutting issues—gender equality and diversity, climate change and environmental sustainability, and institutional capacity and rule of law—as depicted in Figure 1 below.

Figure 1: Structure of the Institutional Strategy of the IDB Group



⁶ To align it further, Management is proposing for the next strategy update cycle that future strategies should have a 10-year duration with a mid-term review that assesses if changes are needed.

Each of the challenges and cross-cutting issues of the IS above are aligned to at least one of the 17 SDGs and, all 17 SDGs are covered by the UIS, as shown in Figure 2 below. For example, SDG 1 “End Poverty in All its Forms Everywhere” and SDG 10 “Reduce Inequality within and among Countries”, are aligned with IDB Group’s priority of increasing social inclusion and equality in the region. Likewise, SDG 8 that calls for *inclusive and sustainable economic growth and decent and productive work*, and SDG 9 which focuses on the *promotion of industry, innovation and infrastructure*, share IDB Group’s priority of improving productivity and innovation. Similarly, the three cross-cutting themes in the UIS are carefully aligned to SDG 13 “Take Urgent Action to Combat Climate Change and its Impacts”, SDG 5 “Achieve Gender Equality and Empower all Women and Girls”, and while less direct, SDG 16 “Promote Peaceful and Inclusive Societies for Sustainable Development”.

Figure 2: Alignment of the IDB Group Institutional Strategy to the 17 SDGs



2. Identifying emerging issues affecting the 2030 Agenda in LAC and update emphasis areas of action

Significant changes and trends are emerging more frequently in the global context. Many sectors are being disrupted because of technology, demographics and challenges to regional and global commons. Identifying them is critical to fine-tune IDB Group's priorities to maximize their alignment and impact to the SDGs throughout the decade of action.

The first one is the technological revolution. The recent convergence of digital technologies such as artificial intelligence and machine learning, mobile devices, 5G, blockchain and the Internet-of-Things (IoT) has sparked innovations with powerful impacts across industries that will likely result in a new industrial revolution. Notwithstanding the immense potential of these new technologies, they also pose some risks, particularly with respect to the preparedness of LAC economies to adapt to rapid technological change. While technology is expected to have a positive effect on labor productivity and growth, it will also disrupt the labor market, with an effect on jobs that is still uncertain. Inequality is likely to increase, as experience from other regions shows that technologies have led to labor polarization (the hollowing of middle skills and an increase in the demand for high and low skills). While such evidence for LAC may be scarce at this time, there is already some recent evidence of this trend in Brazil and Chile. In addition, technology may disproportionately affect some demographical groups such as older workers with obsolete skills and women to the extent that gender gaps in STEM⁷ skills persist.

The second one is the sustainable infrastructure gap. The region lacks enough quality infrastructure to maintain sustainable growth rates. In addition, the gaps are large: the annual investment gap in the region is estimated at nearly US\$170 billion (bn). Filling this gap is particularly challenging because LAC is a region characterized by low Total Factor Productivity (TFP) growth, which has led to low physical capital accumulation and thus to low rates of economic growth. Furthermore, many LAC countries are facing the need to adjust fiscally and cope with economic losses as a result of more frequent and intense natural disasters. As such, filling the gap calls for the use of climate-resilient, sustainable infrastructure, and for an increased role of the private sector through Public-Private Partnerships (PPPs).

The third one is institutional transparency and integrity, which are essential for the effective delivery of public services and building an environment that encourages private sector development. However, in recent years, the region has faced a wave of citizen movements mainly because of corruption scandals exposed by judicial investigations in several countries. In some countries, the execution of infrastructure projects has even been paralyzed, and it is increasingly difficult to find financing for new projects in this sector. While most LAC countries have passed transparency, integrity and anti-corruption legislation over the last fifteen years, but these efforts have been uneven and partial, and have lacked effective implementation and results. Furthermore, almost three quarters of the population in LAC believe that their society is unjust; and more than two thirds consider that governments favor the privileged over the public interest. Inequality combined with grand scale corruption scandals is occurring at a time when LAC has a larger middle class, better connected via social media and more intolerant of corruption, and which demands more efficient and transparent government.

⁷ Science, Technology, Engineering, Mathematics. See <https://iadb-comms.org/IDBGroup-InstitutionalStrategy>, p. 16.

3. Transformative pathways: areas of accelerated action and selected contributions of the IDB Group to the “Decade of Action”

The identification of the three emerging issues above constitutes a critical pillar of the latest update to the IS as they help to discern, going forward, where accelerated actions are needed so that the IDB Group can best support countries to achieve the 2030 Agenda. As such, emphasis in the following proposed areas of accelerated action is key to increase IDB Group’s value for money and achieve the greatest development impact with existing resources.

- a. *Promoting technology adoption and innovation.*** In the context of the technological revolution, accelerated actions in this area are critical to tackle the region’s development challenges—particularly poverty—and to avoid the regression risks associated when countries do not adapt adequately to rapid technological changes. The IDB Group will therefore emphasize interventions that support countries’ and clients’ efforts to expand investments that reduce technology gaps and facilitate digital technology adoption. It will also develop and deploy instruments and tools that nurture innovation, strengthen skills development and technology transfer. In this regard, the IDB Group will promote state-of-the-art technologies and innovation applications across all sectors of operations where appropriate. The emphasis on these accelerated actions should be taken with the understanding that their deployment must be appropriate to the characteristics of each country.
- b. *Increasing resource mobilization.*** The IDB Group is well-positioned to accelerate actions to increase resource mobilization to the region, which is critical to address the financing gaps that the SDGs entail. For every US\$1 invested directly by MDBs such as the IDB Group in private sector operations, some US\$2-US\$5 are mobilized in additional private investment. This adds an estimated US\$40 to US\$100bn to development flows every year. To accelerate actions in this area, the IDB Group must enhance the mobilization from traditional and non-traditional partners, both public and private. Likewise, the IDB Group must increase its support to countries to mobilize domestic resources through interventions that strengthen countries’ regulatory frameworks, deepen local debt markets and improve the business climate. Furthermore, to accelerate the mobilization and private finance, the IDB Group must develop innovative instruments—such as guarantees, B-Bonds, blended finance and other de-risking modalities—that further leverage the capital of each of the IDB Group’s entities and catalyze more private finance. Likewise, the IDB Group must continue building strategic partnerships with public and private counterparts and consider developing internal incentives to include mobilization components in all its programming exercises and project origination processes whenever appropriate.
- c. *Promoting gender equality and diversity.*** While LAC is often seen as the developing region that has made the most progress on gender equality—in large part driven by the fact that gender equality in educational attainment was achieved long ago—the region continues to face three severe challenges: women continue to face barriers in labor markets, women are significantly underrepresented in leadership positions in both the public and private sectors, and women in the region continue to be affected by violence. In addition, large segments of LAC’s population continue facing social exclusion based on gender identity, sexual orientation race, ethnicity and disabilities. To accelerate actions towards gender equality and diversity, the IDB Group will prioritize interventions and innovative approaches that support and shape macro- and firm-level policies promoting

women's empowerment and growth—including leadership positions—and reduce violence while providing quality services to survivors. Likewise, the IDB Group will put in place concrete plans to expand its work on diversity and will promote an IDB-wide culture that includes development with identity and social inclusion as an integral part of the operations and analytical work that the IDB Group supports.

- d. Addressing climate change and environmental sustainability.** Climate change is threatening social and economic outcomes in LAC. Key climate change effects already being felt include a rise in average temperatures, changes in precipitation patterns, increased frequency and intensity of hurricanes, changing discharge patterns in the Amazon River and western Andes, retreat of glaciers, rising sea levels, acidification and increased coral bleaching in the Caribbean. To address this, Governors endorsed IDB Group's goal of doubling climate finance to 30% of combined group approvals by the end of 2020. In addition, NDC Invest was created, which is a platform for countries to access resources for transforming their national commitments—known as Nationally Determined Contributions, or NDCs—into achievable investment plans the Caribbean Climate-Smart Coalition, a public-private initiative to transform the region into a “climate-smart” zone and has launched its Sustainable Islands Platform (SIP) to help islands pursue sustainability and climate-resilient investments. Furthermore, the IDB Group will continue supporting the development of sustainable cities, and in this regard the IDB developed a Sustainable Infrastructure Framework (SIF)⁸ with the aim to shift attention from an environmental focus to national economic growth opportunities resulting from accelerated climate action. All in all, to address this challenge the region would need to transition to net-zero emissions before the end of the century.
- e. Enhancing institutional capacity and the rule of law.** Experience suggests that fighting corruption requires collective action via a multi-stakeholder approach. In this regard and because of its comparative advantages as a multilateral, the IDB Group is well-positioned to be an important partner to scale-up transparency, integrity and anti-corruption efforts in LAC. To this end, the IDB Group will emphasize interventions that support countries' adoption of international standards and commitments on transparency, integrity, anti-corruption and governance. Leveraging on technology, it will pursue actions that convene actors for open government and transparency which, in addition to government agencies and corporate entities, could encompass other actors such as the legislature, civil society, media, the academia and think tanks. Furthermore, to improve public-private sector complementarities in the interventions it supports, the IDB Group will mainstream transparency and integrity issues—including risks and tools to address them—into operations with an IDB Group-wide coordination approach.

Examples of selected IDB Group interventions reflecting its emphasis on such accelerated actions are depicted in Box 1. These interventions are some recent approvals that will be executed throughout the decade with the aim to show how the IDB Group can contribute to put the countries and the region in a transformative pathway to achieve the SDGs on time.

⁸ The SIF is based on two tenets: (i) sustainability incorporates economic/financial, social, environmental, and institutional considerations and (ii) sustainable infrastructure can only be delivered by working across the project cycle from the institutional context, through planning, prioritization, preparation and design, construction, financing, operations, to decommissioning.

Box 1. Examples of IDB Group contributions to areas of accelerated action



Promoting technology and innovation

The IDB carried out a loan to strengthen comprehensive integrated health services networks based on primary care in Paraguay ([PR-L1167](#), 2019). The US\$ 45 million (m) loan will help improve the health conditions of the country's most vulnerable population by strengthening the Comprehensive, Integrated Health Services Networks (RIISS) based on primary care. The IDB is also supporting the digital transformation agenda of Paraguay by providing technical cooperation resources for a Strategic National Plan for Digital Health Care Transformation (PNETDS) based on the future state of the sector.



Increasing resource mobilization

In 2020, the IDB guaranteed the issuance of the world's first [Sovereign Social Bond in Ecuador](#). The issuance of US\$400m will provide access to housing for more than 24,000 families and mobilize approximately US\$1.35bn in investments. The combination of a bond with a guarantee made the operation highly attractive for international investors and reduced significantly financial costs for Ecuador. The beneficiaries of these loans will be low or middle-income individuals who seek to acquire their first and only home.



Promoting gender equality, diversity and inclusion

In 2019, Panamá received a US\$150m loan to improve the country's rule of law and gender equality policies ([PN-L1156](#)).



Addressing climate change and environmental sustainability

The Program for the Restoration of Climate-resilient Forests and Forestry for Sustainable Water-related Ecosystem Services ([HO-L1200](#), 2019) was approved for Honduras. The goal was to improve the climate resilience of forests in areas critical to the water supply. Specifically, it aimed at restoring forest cover and strengthening governance and financial sustainability for adaptive forest management. The program will also encourage the participation of women by incorporating a gender perspective into its activities. Similarly, in March 2020 IDB approved an operation for Costa Rica ([CR-L1142](#)) with the goal of contributing to the country's transition to their net-zero emissions goal.



Enhancing institutional capacity and the rule of law emphasizing transparency

The Program to Support Transparency and Integrity Reforms in Argentina ([AR-L1303](#), 2019) aims at contributing to the transparency and integrity of public management through regulations and mechanisms to promote access to information. It is the second operation of this kind in Argentina and among other goals, it will deepen progress in consolidating the rules for ethical conduct of public official and rules for public procurement.

III. Selected Recommendations for Accelerating Progress

At the regional and global level, achieving the SDGs requires deepening existing partnerships and forging new ones. In this regard, the UN and the Multilateral Development Banks (MDBs) including the IDB Group have a long history of cooperation, and together they can play an important role in supporting member countries to implement the 2030 Agenda and achieve the SDGs on time. Working as a “system” following the recommendations of the G20,⁹ the MDBs have specialized technical knowledge and deep operational expertise in providing finance and catalyzing investments in sustainable development that contribute to the development of their client countries and the preservation of global public goods. In addition, Regional Development Banks (RDBs) such as the IDB Group enjoy a proximity to clients that enables them to respond swiftly to their development demands and aspirations as trusted partners. From this perspective and recognizing the interconnections between the SDGs, the IDB Group considers the following recommendations to accelerate progress in LAC towards them. These are based on summarizing the development challenges and cross-cutting issues of its strategic framework and the areas of emphasis identified for accelerated action.

Recommendation 1: Technology

Technology and innovation have immense potential to advance the achievement across all SDGs and throughout Latin America and the Caribbean. Harnessing the power of new technologies to meet the region’s development challenges in areas ranging from climate change mitigation and adaptation to strengthening institutions and their accountability to citizens will be critical over the next decade. At the same time, the region needs to ensure the benefits of technology are enjoyed by all and mitigate the risks new technologies present.

Recommendation 2: Leave No-One Behind

Leaving no-one behind will continue to be of critical importance in LAC in the coming decade. For the many middle-income countries in the region, the focus on inclusion is particularly relevant given persistent inequality and poverty as well as social exclusion based on race, ethnicity, disabilities, sexual orientation, and gender identity that affects large segments of the region’s population.

Recommendation 3: Transparency and Integrity

Fostering transparency and integrity in the region will be critical for the coming decade as a means of strengthening citizen trust in government and enhancing institutional capacity and the rule of law. Accountable and transparent institutions are critical to address the crisis in citizen confidence in government and to enable the achievement of all SDGs.

Recommendation 4: Net-zero emissions before the end of the century

Climate change will continue to be critical for the social and economic outcomes not only in LAC but also in the world, particularly given that the natural capital endowment of the region functions as a global public good. Many adverse key climate effects are already visible and are rendering more and more countries in the region to the category of vulnerable to climate shocks. Public-private partnerships and mobilization of private finance will be essential to reverse these trends.

⁹ See <https://www.globalfinancialgovernance.org/report-of-the-g20-epg-on-gfg>.

Recommendation 5: Making Billions to Trillions a reality

The price tag of achieving the SDGs is high. They will demand far greater financial flows than what is currently being provided for development. Mobilization of investments of all kinds—public, private, national and global, in both capital and capacity—should be a central priority of all development partners and the UN system. In this regard, the international community should work towards making the “Billions to Trillions” agenda¹⁰ a reality. With the support from their shareholders, the MDBs can be instrumental to it because they can assist governments and clients to scale up domestic resource mobilization, develop further the private sector, deepen domestic financial markets, bring in additional sources of finance, develop de-risking instruments, create platforms for identifying, structuring and financing infrastructure and other projects, and develop innovative modalities to support global public goods.¹¹

Underpinning these recommendations should be a renewed emphasis on measuring individually and collectively—including supporting countries to overcome data challenges, especially at the sub-national level—monitoring and evaluating development results to further enhance what the MDBs and the UN can do in other to improve the lives of the LAC region and the world.

¹⁰ See <http://pubdocs.worldbank.org/en/622841485963735448/DC2015-0002-E-FinancingforDevelopment.pdf>.

¹¹ See <http://documents.worldbank.org/curated/en/602761467999349576/pdf/98023-BR-SecM2015-0233-IDA-SecM2015-0147-IFC-SecM2015-0105-MIGA-SecM2015-0061-Box391499B-OUO-9.pdf>, p. 6.