ALEJANDRO PEREZ & MAURICIO CLAVER-CARONE: How Latin America is Embracing Innovation

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Featuring:
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Mauricio Claver-Carone, President of the Inter-American Development Bank
Moderated by Garrett Marquis, Global Head of External Communications, BNY Mellon

GARRETT MARQUIS: Hi everyone, this is Garrett Marquis, Global Head of External Communications here at BNY Mellon. Welcome back for another episode of our BNY Mellon Perspectives podcast.

We have spent the past month celebrating Hispanic heritage in the United States, and today, we get to hear from two prominent financial leaders on ways the Latin American region is transforming, developing, and becoming even more attractive to investors all around the world. One of those leaders is our very own Alejandro Perez, our Chief Operating Officer of Global Market Infrastructure. He is in conversation with Mauricio Claver-Carone, who leads the Inter-American Development Bank, or IDB as it’s commonly known.

As you may know, the IDB deploys its $150B in capital in development projects across Latin America and the Caribbean. The bank’s investors are representatives of more than 40 countries from across the world. IDB partners with governments and the private sector, including financial institutions, to maximize investment in the region and make a global impact.

Mauricio discusses the IDB’s “Vision 2025,” which actually has some serious synergies with BNY Mellon’s growth agenda. He discusses the burgeoning high-tech sector in Latin America, and how the IDB is helping the Latin American region on its digital journey by supporting blockchain, fintech development and more.

He and Alejandro also discuss the IDB’s relief efforts post-COVID, and ways the IDB is supporting ESG investing throughout the region not only to help optimize returns for investors, but also to help lead us toward a more sustainable future. He also talks about ways the IDB is a regional trailblazer toward gender equality, offering some stunning statistics around progress they’ve made there.
Lastly, Mauricio offers his views on opportunities for increasing public-private partnerships, given his unique vantage point on the cusp of the two.

So please enjoy today’s high-energy discussion on a region where we see huge potential for growth. As always, please listen, rate, review, and subscribe wherever you get your podcasts. See you at the next episode.

ALEJANDRO PEREZ: Hi, Mauricio. It's great having you.

MAURICIO CLAVER-CARONE: Thank you, Alejandro. Thank you for having me.

ALEJANDRO PEREZ: Really looking forward to a discussion here. I really want to take the opportunity just to hone in on the Latin American region and the Caribbean. It's not often that I get to talk about home like this, so I'm really looking forward to chatting with you a little bit, and not only learning about you, the Inter-American Development Bank and what you're doing there, but also your view and your perspective on the region as a whole, particularly given everything that's happening after the pandemic.

Before we get started, there’s a lot we can talk about, but I want to really get down to you. We just talked about our common heritage, both from Cuban backgrounds. Tell us a little bit about yourself. You grew up in Miami. What was that like? How do you get to the Inter-American Development Bank?

MAURICIO CLAVER-CARONE: Yeah, well, I appreciate the question. We were just talking about our common heritage, and I always say we're both products of Cuban refugees, but whether we were born in Miami, San Juan, Caracas, Madrid, New York, we all have similar DNA in that regards and a similar ethic and drive to succeed, particularly from the situations that our families fled.

Indeed, I was born in Miami, but I was raised mostly early on in Madrid. My mother's Cuban, my dad is Spanish. My dad was actually a Spanish diplomat. He was at the consulate at Miami, and obviously as you know, my mother was a Cuban refugee. She was based in Miami, and then she got into politics and worked for the Mayor of Miami and commissioners, and that's kind of a little bit of the political drive there.

After Madrid, I went to high school. I spent a small period of time in Pittsburgh, a period of six months, which made me the biggest Pittsburgh Steelers fan you'll ever meet.

I went to undergrad at Rollins College in Winter Park, Florida. It was a small liberal arts school. I came to law school up here [in Washington, D.C.] at Catholic University and then Georgetown. I really wanted just to be a college professor, [but] I started getting into Latin American affairs. The professors at Rollins became my best friends. One in particular, Dr. Pedro Pequeño, just changed my life, got me really interested in the region.

Then, actually, another professor I used to go spend the J terms [with] – the January terms, the winter terms – in Orlando, from Johns Hopkins, called Dr. Franklin Knight, a Caribbean specialist, he said, "No, you've got to become a lawyer."

I was like, "I don't know if I want to become a lawyer." That then led me to do an internship here at the Congressional Spanish Caucus. When I did that, I was actually placed in the office of a very effective
congresswoman who is now the Speaker of the House, Nancy Pelosi, and I learned a lot from that experience. It really gave me a passion for D.C. and really to become a lawyer and in politics. I made my mother happy because, as you know, in our heritage, our mothers want us to be doctors or lawyers, so at least I made her happy in that regard. But then I practiced as little as I could. I became a banking lawyer. I was at the Office of the Comptroller of the Currency working on Basel II for a while. But, public policy interest really kind of took over. I appreciate the training I got in law school in that regard, so it was a good mix.

But look, at the end of the day, the biggest value that I had is the gratefulness I have to my parents, to the community that I came from in Miami, that immigrant community, people from all parts of Latin America and the Caribbean that taught me the value of hard work and perseverance. From there, the long trek of banking lawyer to policy advocate.

I'm loving doing this podcast, because I had a radio show on Sirius XM called “From Washington al Mundo,” and then here I am. I was eventually led one way or another back to [the U.S. Department of the] Treasury in a different light, then the U.S. Representative at the [International Monetary Fund] IMF, went to the National Security Council, and that led me to be elected to the IDB.

Here at the IDB, as you know, we were founded in 1959. In that regard, ironically, it was founded right after the Cold War [and] the Cuban Revolution. While it was an idea that had really come about in the 19th century, the Pan American Alliance, et cetera, it was really the Cuban Revolution that finally got the U.S. to say, "Wow, we need to do something to help the economic growth and development in Latin America and the Caribbean and to accelerate social economic development there." So, here we are.

This institution has also progressed since, obviously, 1959. I am the fifth president. I'm the first American [IDB] president. I am the second-youngest president. The youngest president in any international financial institution was Felipe Herrera, a Chilean, who was the first president of the IDB at [age] 37. I'm the second youngest in the history of any international financial institution as well. I was elected at 45.

The institution has developed as well with the times. We have a private-sector arm called IDB Invest, which finances private-sector companies. But we are also the only international financial institution that has an innovation laboratory, called IDB Lab. That does early-stage investment, works with entrepreneurs, tests pilot programs to spur development, and that's fantastic. By the way, that's something that we're going to talk about later with regard to VC investment in the region, and digital – which is huge.

We are owned by 48 countries, which include 26 borrowing member countries in Latin America and the Caribbean. Those are our clients on the public side. Then, on the private side, our clients are private companies that look to have development impact in those [borrowing countries]. The non-borrowing countries here, the larger shareholders, are the United States; the second-largest shareholder is Japan, but also then Canada. We have [member] countries in Europe and Asia; Israel is a member of the bank. Overall, we provided almost $22 billion last year, which is a record year in regard to turnout for the bank, and our envelope, to help financing – obviously to beat back the pandemic and recover sustainably – was $22 billion.

In sum, we do everything from old-style infrastructure projects, everything that you've heard in the 20th century, building roads and highways and bridges. Now I'm helping turn the bank to the 21st century. We're doing 21st infrastructure, digital. We're working with companies like Netflix to do 21st
century skills training, investing in digitalization, using blockchain technology to help track sustainable bonds. All kinds of new, creative things that we can talk about, obviously, but that's a broad overview of what we do.

ALEJANDRO PEREZ: No, I appreciate that. I mean, that's fantastic and extremely helpful. I think it does help our audience. Before we get into specific topics, you talked about bringing the bank to the 21st century. I took the opportunity to read through your “Vision 2025,” and how you're positioning the bank or your plans for the bank. You're actually making some radical changes, and you have a pretty good strategy, from my point of view, on what you want to accomplish and how.

Can you talk a little bit about A.), how did you come up with it, but B.), what are you most excited about when you think about that vision?

MAURICIO CLAVER-CARONE: It's one of those things that, ironically, the pandemic has actually changed completely and brought huge opportunities to the region. As you can already probably see, I'm an optimist; I'm a natural optimist, I'm a defiant optimist, I've been called. I'm very proud of that term. If there's any description of me that I love, it’s that whole notion of—

ALEJANDRO PEREZ: A little bit of energy, just a little bit of energy.

MAURICIO CLAVER-CARONE: I've got a little bit of energy. I don't get tired; that I don't do.

I think the way that I looked at it, when we came in, I said, "Look. I don't want to be an institution of just diagnostics, I want to be an institution of solutions, so let's start looking at, in our first 100 days, how we deal with the pandemic." Looking at the pandemic, how do we deal with vaccines? We got $1 billion together [in] the first 100 days just for vaccine development.

We need to create and help with the negotiations with bilateral institutions between the countries and the bilateral pharmaceutical companies. Then, what we started doing – we’re the only international financial institution that created an indemnization mechanism so that we could help guarantee the purchases of those vaccines from the pharmaceutical companies to the countries.

So, we had to deal with all that. I was like, "Look, we have to start looking at tomorrow now." I've said this many times over, but I really truly believe it. There would have been no Renaissance without the bubonic plague. The Renaissance came as a result of the bubonic plague. The “Roaring ’20s” and the early 30s, that came as a result of the 1918 Flu.

What are the opportunities that we have today that stem from the pandemic and what we've learned today? One, first and foremost, Vision 2025. Five areas. The first, nearshoring. I'm obsessed with nearshoring, but it's real. It's happening. Every survey we've done says two-thirds of companies that outsource their global value chains far away are looking to bring them in closer. They just have to.

It's not about geopolitics. This is about pro-Latin America and the Caribbean. It's about nearshoring, it's about [getting] closer to the market in that regard.

Even the Europeans were very hesitant, and now they’re starting to get it. I was just on a panel [last week] where the Germans were talking, now, about how some of the things that they are exporting, that China exports to Germany can also be exported from Eastern Europe and it's the same things. They’re even talking about nearshoring in their own capacity, so it's not just geopolitical, it’s a reality.
Every day you turn on the television, you’re seeing a glut of containers. I just saw a story about how [Coca-Cola] is now having to literally bring in raw materials and cold frigates to do bulk shipping just to be able to come here and continue to produce. You’re seeing the price of transportation has tripled, quintupled in many cases. I mean, this is a huge crisis that we’re facing that has really been unearthed by the pandemic. I think companies are thinking, "Wow, did we make the right bet here by outsourcing so far away?"

That’s a unique opportunity for Latin America and the Caribbean. We need to take advantage of that. Look, at the end of the day, countries are going to be the master of their own destiny. They need to also have the right policies for investment, et cetera, so they can take advantage of this.

But what can we do as an institution? Japan and the Inter-American Development Bank, us, are the only two entities in the world that are financing nearshoring. If you’re a U.S. company, a European company, another company that’s based in China, you want to pick up and move your plant to any country in Latin America and the Caribbean, we will finance that. We will work with you to bring that in.

At the end of the day, that’s because we cannot miss the ship. We can’t miss it. It’s a unique opportunity. Nearshoring, integration, whatever you want to call it, is hugely important.

Two, digitalization. Look, if we would have done any marketing campaign, any type of marketing campaigns to try to educate about the importance of digitalization, I don’t care who we hired, how we hired, when we hired, maybe 10% of people would have said, "Oh, yeah, digitalization is important."

There’s not a human being today, in the United States, in Mexico, Argentina, Brazil, France – you name the country – that does not understand the importance of digitalization.

The winners and the losers of this pandemic are defined by who was connected and who wasn’t connected: who was connected with good infrastructure and who wasn’t. Today, everybody understands that importance of digitalization, so let’s take advantage of it. There is a unique opportunity that we have through digitalization in a transversal way to really have an effect on people’s livelihoods. I call it the three Ts: telework, tele-education, telemedicine, can transform the region. And we can talk a lot more about, then, also the innovation in the region in that regards.

Third, small and medium-sized enterprises. Look, at the end of the day, just like here in the United States, small, medium-sized enterprises are the heart of the economy, the heart of jobs in the region. Then, also, the heart of the problems. The biggest problems that faces the region is informality. That stems from these small, medium-sized enterprises that aren’t connected to the formal system, and therefore, don’t have pensions and social services, et cetera.

Digitalization helps a lot there, in that regard, but also financing. What we can do as an institution to help loosen finance, but also bring them in through digitalization to the former sector, through fintech, et cetera, is a unique opportunity. We can talk about informality. We've talked about informality for decades. We’re never going to have a dent on it unless we do so today through digitalization, and it’s making a huge difference.

I'll give you an example: Chivo Wallet in El Salvador. There are 600,000 people that are banked in El Salvador, and there are now three million people that are on Chivo Wallet. Chivo Wallet is Venmo. It’s literally fintech.

If we can do that, have good marketing, literally through fintech, we can change the atmosphere. You’re seeing it with other companies. You’re seeing all these companies are being created in the
fintech spheres that are already unicorns. Every day, there's a new unicorn in this sphere. That's going to be transformative to the [Latin American] region. Small, medium-sized enterprises are the key.

By the way, the best talent in the world, I have seen in Miami. People from every country in Latin America and the Caribbean go to Miami, all levels of education, all cultural backgrounds, all races, et cetera, and be able to start a small business and succeed. It's about the ability to do so. It's the same talent.

There's a great study here that came out recently about the demographic group here in the United States that had the most small and medium-sized business across the board are Hispanics. It's the Cuban capital of the region. Our people, they're just literally coming here and have the ability to do so because it's easy, and then they succeed in doing so. They should be able to do that in their own countries and succeed. That's the goal here.

The human capital's the best in the world, the best. So, they should be able to do it there, and I think it makes all the difference in the world.

Fourth, gender. Hey, look. I'm going to blow you away with a statistic. If, literally, women were to participate in the labor force in Latin America and the Caribbean, just at the same rate, at the median [rate] of Organization for Economic Co-operation and Development (OECD) countries, it would lift GDP in the region by 20 percent. 20 percent. The biggest obstacle right now, and the pandemic made that worse, so that's not an opportunity, but yet a challenge that made it worse: Women took care of not only kids, but then also their parents. That [fell] culturally upon women.

Small, medium-sized enterprises that are owned by women in the region, as a data point, are 10 percent more successful, have 10 percent greater revenues than those owned by men, but yet have 50 percent less access to financing. That's the gap we're trying to bridge. If we can bridge that financing gap for women in the region, that's going to make all the difference, and that's going to have a huge boost. A huge opportunity.

Finally, fifth, climate. Look, the way we're putting this is this is not a zero-sum game. Climate is an opportunity to create jobs; renewables, an opportunity in the region – has its challenges. But I don't think this region gets the credit that it merits for the advances it's already made.

This region is a champion in renewables. Brazil, which gets a ton of criticism across the board, its energy matrix is 80+ percent hydro. Now, a drop has come now, because climate has now made an impact also on renewables as well. There's a drought, and obviously we're having all these issues, but yet, it's far in advance in regard of energy matrix to, frankly, just about any region in the world.

What are the opportunities there? This region is highly committed to it, so be a leader in renewables, but also – now to just close the full circle, from climate and renewables to number one – the integration and the value chains. Look, if we're going to have windmills everywhere creating energy, 90 percent of windmills need copper. Where's two-thirds of the world's copper? South America, Chile, Peru, you name it.

If we're going to have electric batteries everywhere, where's two-thirds of the world's lithium? Bolivia, Argentina, Chile, Peru, southern Ecuador, now southern Columbia, Lithium Valley in Mexico. If we're going to have solar panels, you've got a choice. Where's all the second-largest deposits and really prospects for polysilicon? Chile. Where's the world's second-largest rare earth mineral deposits? Brazil.
Even in that whole gamut of supply chains – and by the way, then there’s challenges we can talk about later as well – we don’t want the regions to be export-dependent. That’s the whole point. You’re going to create jobs, create development impact, you have closer supply chains. We can run across the board. Anyway, I can talk forever. Let me shut up.

ALEJANDRO PEREZ: No. Let me follow up on that. I’m going to follow up on a few topics, but on the nearshore and near structure manufacturing, obviously when we think about nearshore, immediately the assumption is manufacturing. You talk about raw materials available in South America or Latin America. You talked about the talent and the skill set available down there. But what would you say, for example, to organizations that continue to outsource professional services: technology, technology needs, operational needs, service needs? What would be your message to them as they continue to grapple with concentration risk in India, concentration risk or political risk in China? To me, there’s an untapped potential, but the question is, how do you take advantage of it adequately? You probably are in a much better position to talk about it than me, obviously.

MAURICIO CLAVER-CARONE: Yeah. That’s a great question. I’m excited about it. I literally had Netflix in my office yesterday, and one of the things we were talking about is we did this great 21st century skills partnership I mentioned early on. One of the things we were talking about is literally the skills.

When I first got elected then everybody said, "Oh my god, this is a different President here." Look, I know the person that put together the deal – it was an old partner of mine – put together the deal for J Balvin and McDonald's. J Balvin was the first kind of McDonald's global rockstar, like the Michael Jordan. They do meals and everything after this whole thing.

It was right during COVID. They literally would have taken up the whole production of that campaign, and it would have been done in Los Angeles or New York. J Balvin didn't want to leave Medellin, Colombia, and literally the production had to take place all entirely in Medellin.

Look, all these companies, McDonald's, everyone was like, "Oh my god. How do we do this? Can this be done well?" Et cetera. It was amazing. Now, these companies are like, "Wow. Why aren't we doing more of our production down in Colombia?" The quality, the talent, it's amazing, through the roof.

Uruguay: I just came back from Montevideo. Uruguay remained open during the pandemic and literally the boom in audio visual production, like movie sets, et cetera, all went down to Uruguay so they could keep filming during the pandemic. Literally, there's this whole boom. The talent is through the roof.

By the way, in the Spanish-speaking [region], I was just today talking about the Dominican Republic that's doing a lot of training in that regard, language training. Central America, when we talk about Guatemala, Honduras, El Salvador, the training in the languages, there are all actually a lot of call centers there taking place.

It's really a question about scale. In that regard, and I've talked to these companies, and the companies say, yeah, 100 percent. But we can go to one of these countries in the Caribbean, we can go to Belize or Jamaica, we can go to Barbados, or El Salvador, some in the Dominican Republic, some in Guatemala. But it's not enough for our demand, so India's a one-stop shop because there's just so many people and they all speak English and it just become easier. Our challenge there is to
try to create scale in that regard and to bring that together and to continue to skills train.

But, across the board, the talent is there. Now, there are particular skills that need to be trained, and that's why we're so highly focused on skills training. The skills training will be game changing across the region, and part of that digitalization push and all of that, if we can just get it.

There, we're not just doing it, obviously, through our traditional programs and our traditional programs on the public side, we're partnering. We're partnering with companies like Netflix, Microsoft, MasterCard. We're doing skills training across the board through different programs in that regard.

We're helping some companies do some creative stuff. There's an interesting company in Brazil that's literally front-loading skills training and already has some demand from some big companies to hire those people. Then, essentially, they back pay, after they get hired and start working for their education. That's a good market-oriented approach as well.

It's all about skills. The human capital is there, but it's all about the right skills for the right time. That's our big challenge. And that's what we're working on nonstop, because that's the biggest 21st century solution.

By the way, the good thing about digitalization is that we can do that now any place, anytime, anywhere. Therefore, we need to the digital skills to do so. Look, and I say this a lot, it takes two years, three years, many years to build a physical bridge. It takes two weeks, two months to build a digital bridge.

ALEJANDRO PEREZ: So, I tell you, reading through your paper is exciting, is encouraging, but hearing it from you live takes it to another level altogether.

Let me touch on digital. I'm seeing a trend, and I want to see if you're seeing it and what your views are with many small think tanks, start-ups, many young individuals coming from the region that are now thinking, can I bring the tools back to the region to, through technology, open access to investment and capital, to consumers down there? But also give them the tools to educate them and actually help them make the investments, not only to grow the markets down there, but also to benefit themselves.

What is your take on that? What are you seeing from your point of view?

MAURICIO CLAVER-CARONE: We'll start with fintechs per se, because I think fintech is a huge success story in Latin America and it's only going to get bigger. By the way, already this year, to October of 2021, we've already seen, this year, the largest inflows of venture capital investment for digital in history: already doubled last year, which was $4 billion, so we're almost at $9 billion this year. Doubled last year and was more than the last prior three years put together.

What does that say? That says the talent and the ideas that are spreading out are really, really huge, and I think, a lot has been done and remains to be done. Look, think about companies like Ualá which is growing really quickly in Argentina and Mexico. What's the largest company in Latin America today? It's not an infrastructure company. It's not the quote unquote "Odebrechts" of the world, it's MercadoLibre.

That is the future in the region. Unicorns are spreading everywhere. Companies like those are helping to bring the region's – and this is key – large un-banked population into that formal economy for the first time ever. We're not just talking about informality; we're actually trying to do something about it. Just 50 percent or so of adults in the region have bank accounts.
So, when we look at lending as their share of GDP or whatever, we're just lending to half of what we should be lending to the region's smaller companies. That's a huge opportunity. I mean, you're a banker, that's a huge opportunity.

What we want to do, and just looking at since the pandemic, people in the region have opened at least somewhere, and my numbers, I don't have it exactly, but somewhere around 40 or 50 million new financial fintech accounts to be able to access [banking] – and by the way, this is just emergency COVID-era cash transfers or government subsidies. So, the work that we've been doing to help governments digitalize is having an effect and making people want to digitalize more, and that's key. By the way, we've also begun the digital transformation of banking itself, so that if we're going to advocate for digitalization in governments in the region, we have to be best in class as well.

Brazil alone, which is one of the region's largest digital banks, opened 30 of those 40 or 50 million accounts. That's a huge opportunity.

I think that if we look at the number of fintech companies that are sprouting out, we've seen already this year there's double the number of fintech companies that have sprouted out throughout the region. The region probably accounts now for over a quarter of all fintechs worldwide. That's a big deal and a big opportunity. So, I'm very excited about fintech in that regards.

Now, let me just say something about bitcoin and all this stuff. We also want to make sure that those transfers are more effective, and in so being more effective, we want to make sure that we're working a lot. We have LACChain, which is everything we do in regard to digital currency, and obviously in regard to blockchain technology and things of the sort.

But that being said, the benefit here for small, medium-sized businesses is huge. We've seen it: 60 percent or so of the fintech financing is going to small, medium-sized businesses. When I saw this whole Chivo Wallet thing, I'm seeing people sending money to small, medium-sized businesses. So, that's going to be key.

By the way, a few months ago, we did the first – I couldn't understand why in six years we had never done a Miami-LAC Forum – but we did our first event in Miami. We did this event in Miami, and it was super successful. We did $100 million in deals with the businesses in two days that we were in Miami.

But here's the most important thing: I met a few types of investors in Miami. There were ones that were saying, "I want to invest more in Latin America, but I wanted to have a U.S. nexus." OK, great. We can help there. Two were a bunch of investors that came from all over. We met some from India, Kenya, et cetera, that went to Miami and would never have thought about Latin America until they stepped in Miami. Once you're in the city of Miami, you want to invest in the region, so they were interested.

The third is the most interesting. It's those that were traditional investors that said, "Hey, I lost the shirt off my back in Latin America and the Caribbean on traditional infrastructure. I haven't wanted to go back. But now, the digital sphere is what's opening the door."

The key is going to be now – and that's incumbent upon us – to work with governments in key areas to create innovative regulatory sandboxes, so that they can modernize frameworks, develop that talent, improve their infrastructure, expand access to digital tools. Because the interest is there; it wants to come in, so we need to make sure that that doesn't happen. Really promoting that ecosystem of financial innovation in Latin America is one of our priorities.

I just had now, the President of the government of Madrid, Isabel Díaz Ayuso, who's a rockstar in her
own right in Spain, and we talked about it. I just came back from Montevideo, and I've talked to Mayor Suarez in Miami about it. My dream is to create this digital triangle, I call it the M3: Miami, Madrid, Montevideo, an inverse digital triangle and ecosystem where it's not just for financing flows, but for skills training and also talent flows.

Look, you're seeing all these companies... You go to Madrid – we just reopened our office in Madrid, which I then moved to Brussels, and when we opened it, it's in the Madrid Lab. Everyone there were digital companies from Argentina, Uruguay, Mexico that had been moving over to Madrid. You're seeing it in Miami as well. You're seeing it, and [Miami] Mayor Suarez has done a great job in bringing it in not only from New York and Silicon Valley, et cetera, but they're coming from the [Latin American] region as well. All together, we create that ecosystem. I think we have a game changer.

ALEJANDRO PEREZ: No. I think, by the way, cryptocurrencies and blockchain, and the ability to tokenize assets, and being able to facilitate cross-border payments – which is something I know the IDB has been involved with - that's opening tremendous opportunities for the market. I mean, it's an area that we at Bank of New York Mellon are fully focused on – it's going to be fascinating.

Hey, I know we're coming almost to the end of the session, but I do want to touch on one more topic, if possible, and that's around ESG: Environmental, Social, Governance. In your mind, would love to hear your thoughts on how it's shaking out – particularly all the work you've done in the public and private sector, and the partnership between the public and private sectors in the region. How do you think ESG is influencing that right now? Because we see a lot of potential on our side, but I want to hear from you what you see.

MAURICIO CLAVER-CARONE: Yeah, it's a great question. Opportunities abound. I'm really excited about ESG.

For those that don't know, we're a pioneer in social bonds. Our strategic priorities are obviously following the sustainable development goals of the United Nations.

Look, to me, if you look at it from a big macro picture – to me, the [Sustainable Development Goals] SDGs, the UNs – we need to invest about $3 trillion yearly, and that's just developing countries. The good news is, ESG investments – as you know, and you're seeing it – is surging. That's great. It's $50 trillion assets by 2025, and everyone's talking about that. That's great. We're seeing it's risen 100 percent since 2016.

Here's the deal with us: We want you to make money, but here's where we come in. We want you to make money, but our job as multilaterals, our job as an international financial institution is to help people, help improve lives, help the planet, and help promote good public policies. What we're trying to do is help create and grow that market and mobilize, and really be catalysts in that regard.

Let me give you just one example, so you can see how much interest there is. We just launched a bond in July. It was a $3 billion, seven-year sustainable development bond. Demand exceeded $4.5 billion from that $3 billion, showing really how easy it can be, and just to trust us coming in. So, we're seeing that strong demand coming in all across the board and that high participation of bank treasuries, central banks, official institutions across the boards. That's helped us raise funding while being able to highlight the increased lending to mitigate the impact of all these thematic issues in that regard.

Now, the challenge becomes that as these finance industries are focusing more on sustainable...
development bonds, they need to be more creative, figure out those opportunities — but also, we need to help promote transparency. I'm super proud of what we've done. By the way, 60 percent, I think, of thematic bonds in the region that were co-listed were done through the IDB. We've done everything from green bonds to gender bonds to social bonds, we're doing now blue bonds. The silver economy is going to be an important issue coming up. You'll probably see some silver bonds out there. We're doing that across the board.

Investors? Our job is also to make sure that we have impact, so we also want to help and be creative and show that there's impact in those investors. We just launched the Green Bond Transparency Index, basically so you as investors can really see, so we're not only doing our job in mobilizing that private-sector participation, but then you can see the stage that that money is actually invested in the green projects and see the stage of those projects. That's to increase confidence.

The reality is, to deal with the awesome, the challenge that we have in regard to climate across the board, private-sector financing is going to be key. Our role as multilaterals is to really help catalyze and mobilize that from the private sector, but to be able to also show impact. Look, if you make money from it, if we're creating, generating jobs from it, and it's good for the environment and people, that sounds like a win-win.

ALEJANDRO PEREZ: Yeah. The development proposition is such that it's hard to actually ignore it. From any private investor, I imagine, it would be difficult.

MAURICIO CLAVER-CARONE: Let me raise one thing because I'm really, really, really proud of this. We launched a partnership with — it's a company, Intrinsic Exchange Group, and the Rockefeller Foundation.

This is the cool thing about innovation. We announced a whole new asset class; we call it Natural Asset Companies, or NACs. They're actually going to be traded. We just rang the bell two weeks ago at the New York Stock Exchange, and it's going to create a whole new market to be able to generate, frankly, the potential is trillions of dollars in ecosystem services annually. That's a huge opportunity.

That's kind of the stuff that we're doing here in partnering up with institutions. In regard to this, NAC, in particular, we were working with Costa Rica to really lay the foundation for the NACs to help them preserve and grow natural assets throughout the countries. We've also been looking at Suriname. That's the type of stuff that offers win-win solutions to both companies, investors, countries, to really allow and help move the public sector to invest in things like biodiversity, climate change mitigation across the board. It's a good and exciting opportunity.

ALEJANDRO PEREZ: Absolutely. Hey, listen, I know we're to the end of the program here, but it's been fantastic talking to you. I guess, just as I wrap it up — when I think about Latin America, you talked about nearshoring opportunities, you talked about talent as well, you talked about digital markets and the potential there. You talked about gender equality and full gender inclusion which, again, kind of long-term in its amount of value. And you talked about environmental resilience, which I think that's what encompasses your vision there.

What else are we missing? For a foreign investor looking at Latin America, what else would you tell them about why Latin America is the future from an investment point of view?

MAURICIO CLAVER-CARONE: Let me make it easy for you. Come knock on our door. Come knock
on our door, and we’ll lay it all out for you. Let me just give you this fact.

We are the best brand in Latin America and the Caribbean. There’s a Reuters-Ipsos poll that came out late last year which shows what are the best brands in Latin America and the Caribbean. You had UNICEF and the IDB 80+ percent approval rating.

While we have a great deal of confidence, we’re not really known outside [of Latin America]. We weren’t known here in the U.S. I just told you about this event we did in Miami, and we had – literally it was like hundreds of investors from almost 100 companies – we did hundreds of millions of dollars in deals in just two days that we were down there.

By the way, we’re going to have more of a presence now, at least from our private-sector arm, down in Miami, so we can generate more, because 1,500 companies have their Latin America headquarters in Miami and we’re here in D.C. There are no deals to be made by the private-sector arm here in D.C. Let’s make deals in Miami, New York. Leave me here in D.C. on the public side, dealing with the politics, but let’s go make deals.

That being said, we want to come closer to you. We want to go out there and really show you our menu. I think that’s really important in that regards. We did the road show in Miami, we did a road show in New York. We’re going to go across the U.S. We’re going to be in Hamburg, we’re going to be in London, we’re going to be in Madrid, we’re going to go up to Toronto to sell the IDB, and how we can be a guide and a partner for you.

Look, we’re hearing about really exciting things that are happening in the region, but investors are looking for what role the IDB can [play] and deal with local currency risk. That’s a big issue, so we’ve got to innovate, because if we can really crack local currency risk, others would be willing to invest a lot more. How we can do first loss guarantees, how we can look at other, more creative stuff. We have to innovate together.

We’re doing, already, some super cool stuff on commodity hedging. We just did a really interesting commodity hedge with the Bahamas that was really interesting that we want to replicate in other places.

I don’t just want to have the projects come in, I want pipelines in all these countries to sit down with our team from the beginning and start comparing pipelines and see what’s interesting so we can say, “Hey, look. This could have a big development impact. How do you get it across the board? Do you have what you need?” And if you don’t because you’re taking some type of contra-cyclical risk, then we want to come in and give it additionality.

We have got to be proactive, and that’s what we’re changing. We want to go out there and knock on doors, show our menu of items that we have, and our knowledge, which is really best-in-class across the board in all these issues: our human capital.

By the way, our talent in-country. We have, in all 26 of our borrowing nations, we have representations. I used to be in the U.S. government. Our representatives and our offices in each of these countries have the best relationships across the board with the ministries, know the ins and outs of the countries, and, I would say, information-wise and knowledge-wise, [are] on scale if not greater than the U.S. embassies throughout.

No politics. We don’t do politics. We do development and economics. So, we have a great ability to work with partners in these countries – that’s really impressive. Since I’ve been here, I’ve been even more and more impressed with it.
By the way, one thing I'm super proud of, we're changing the face of the bank in the region. When I got here, last year, October 1st, 12 percent of our representatives – our quote unquote “ambassadors” in these 26 countries – 12 percent were women. Today, one year later, 45 percent. 45 percent. We're changing. New, dynamic, diverse. Changing.

There, working hand-in-hand with the private sector generally to also provide new tools. Let's expand that menu. We're not about roads and bridges alone anymore. We have got to expand the menu of items. We've got to do hedging; we've got to do local currency risk. We've got to do things to help investors come in there, generate jobs, have development impact. That's the name of the game.

ALEJANDRO PEREZ: That's, again, fantastic and encouraging. You see now our Treasury Services team here recently launched, just last month, its cross-currency sweeps mechanism or service that is helping also investors limit their exposure to assets volatility. We look forward to doing more. It's exciting.

Mauricio, it's been a privilege. It's been really enlightening to talk to you. Your enthusiasm, your optimism, but most importantly your outlook are just extremely encouraging. Good luck to you. Thank you very much. We appreciate your time.

MAURICIO CLAVER-CARONE: Thank you, Alejandro.