



Second Update to the Institutional Strategy

Summary

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Executive Summary

The Institutional Strategy of the Inter-American Development Bank Group (IDB Group) serves as the Group's core strategic guidance. It was adopted in 2010 under the Ninth General Increase in the Resources of the Inter-American Development Bank (IDB-9) with the overarching objectives of fostering sustainable growth and reducing poverty and inequality. It was first updated in 2015 for the period 2016-2019. In line with IDB-9's mandate to review and update the strategy every four years, this update covers the period beginning in 2020. It preserves the core aspects of the strategy approved under IDB-9 and the first Update to the Institutional Strategy (UIS), while considering the need to adapt to the dynamic context facing the region and the IDB Group. **(See summary on page 9).**

The IDB Group is comprised of two separate legal entities: the Inter-American Development Bank (IDB) and the Inter-American Invest-

ment Corporation (IIC), which was rebranded as IDB Invest in 2017. The Multilateral Investment Fund (MIF), rebranded in 2018 as the IDB Lab, is a trust fund administered by the IDB, which is treated as a separate entity in this Strategy due to its unique function as the IDB Group's innovation laboratory. This strategy update is built upon the understanding that these three entities bring unique and complementary added value to the region's development and that strengthening the synergies across them will continue to enhance the IDB Group's impact on the region.

The strategic priorities established in the first UIS remain critical for Latin America and the Caribbean (LAC). These include the key development challenges that need to be addressed to preserve and continue to advance development gains (social exclusion and inequality; low productivity and innovation; and limited economic integration) as well as the cross-cutting issues that must be mainstreamed in the IDB Group's work to address these challenges (gender equality and diversity; climate change and environmental sustainability; and institutional capacity and the rule of law).



LAC has seen some advances on each of these priorities, however, significant challenges remain. These priorities also remain relevant in the context of the global development agenda as they support the Sustainable Development Goals (SDGs) and Paris Agreement on action against climate change.

Operational Areas of Emphasis

While the strategic priorities of the first UIS remain relevant, there have been significant changes in the global and regional context that necessitate fine-tuning the IDB Group's approach to addressing these priorities. Many sectors are facing disruptions associated with the rapid expansion of new technologies. At the same time, in light of the ambitious SDG agenda, there is a heightened awareness of the critical role that private sector resources must play in addressing LAC's development challenges. Furthermore, the rise in corruption scandals highlights the need to take a proactive approach to boosting transparency and integrity. A principal purpose of this update is to **identify areas where emphasis needs to be placed to better address IDB Group's stra-**

tegic priorities in light of these changes. Each of the proposed areas of emphasis for this second strategy update relates to one or more of the key aspects of the UIS.

First, promoting technology adoption and innovation in LAC is critical in the context of the technological revolution that offers immense potential for tackling the region's development challenges particularly reducing poverty, as well as serious risks if countries do not adapt adequately to the rapid technological change. The IDB Group must support countries and clients to expand investments to facilitate digital technology adoption, to reduce technology gaps, to develop and deploy instruments that nurture innovation, and to strengthen skills development and technology transfer. It must also help countries prepare for related impacts on the labor market, taking into consideration demographic changes, the effects of automation, and changes in the employee-employer relationship.

Second, emphasis will be placed on **increasing overall resource mobilization**. To scale-up domestic resource mobilization and private financing, the IDB Group must continue



building partnerships. In addition, innovative instruments should be developed to leverage the IDB Group's capital and internal incentives should be adjusted to support increased mobilization and increased consideration of mobilization in the programming and project origination processes.

Third, continued attention to mainstreaming the cross-cutting issues of the UIS is critical to meeting LAC's development challenges. The IDB Group will renew its commitment and accelerate progress on gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. Under institutional capacity and the rule of law, particular emphasis will be placed on fostering transparency and integrity in the region.

Corporate Areas of Emphasis

Achievement of the IDB Group's strategic priorities depends on a number of institutional factors that underpin the IDB Group's overall effectiveness and efficiency. As such, **the strategy also includes four corporate areas of emphasis** where improvement is needed to better serve the needs

of member countries. They are guided by the IDB Group's drive to enhance its value for money—which means making the best possible use of its available resources and comparative advantages to minimize costs, foster efficiency, and maximize development impact.

First, given the structural nature of the development gaps in the region, progress towards closing these gaps takes a significant period of time. As such, beginning with the next cycle, future **strategies should have a 10-year duration** with a midterm review that assesses if changes in the direction of the IDB Group are needed during the strategy's timeframe.

Second, the IDB Group entities must identify opportunities to boost their profiles as financial institutions to enhance their value and potentially achieve further capital efficiency. As credit rating agencies place increasing weight on institutional attributes beyond financial soundness, the IDB Group needs to **enhance the understanding by shareholders, external stakeholders and the IDB Group workforce, of critical aspects of the IDB Group's value** and maintain focus on emerging areas of risk.

Third, the IDB Group will continue exploring ways to **exploit more effectively and efficiently the synergies of the entities of the Group** both at the corporate and operational levels. This is critical to develop integrated, holistic solutions to the region's development challenges as well as to leverage internal economies of scale.

Fourth, the IDB Group must further **integrate knowledge into the Group's core business** given the critical role that it plays as a global public good. The IDB Group must continue to build incentives for employees to increasingly take on the role of a knowledge broker and connector for the region, to complement the Group's existing excellence in knowledge production and dissemination, particularly to capture lessons derived from operational successes and failures.

Delivering on the Strategy

This update to the Institutional Strategy will be implemented through integrating the operational and corporate areas of emphasis into the Group's regular planning and programming instruments as well as aligning incentives for employees with these areas. A critical aspect of delivering on the strategy will entail enhancing the IDB Group's commitment to its strategic priorities not only for its work in the region, but also internally. Following the Governors' approval of this update, the Corporate Results Framework (CRF) will be updated and progress in the implementation of the strategy and the advances in meeting CRF expected results will be reported in the annual Development Effectiveness Overview (DEO) reports.

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Our objectives since IDB-9

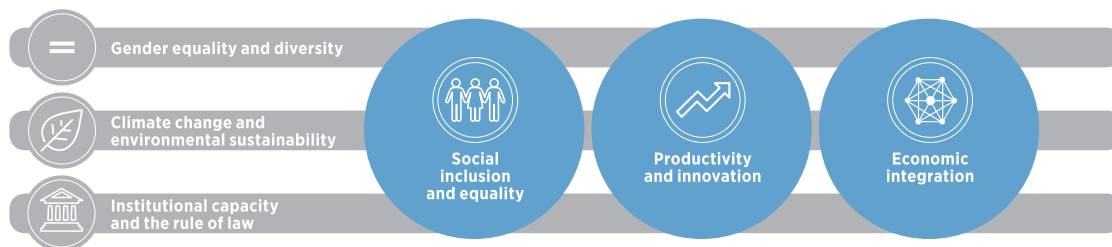
Reduce poverty and inequality and achieve sustainable growth in Latin America and the Caribbean.

Our strategic priorities

To achieve our objectives, we prioritize three development challenges.

To tackle those development challenges, we also address three cross-cutting issues.

Cross-cutting Issues | **Development challenges**



Our principles

IDB Group employees embrace the following operational guiding principles:

Responsiveness

Capitalize on our proximity and familiarity with the region to develop tailored solutions.

Multisectorality

Collaborate across sectors and disciplines to address the region's complex development challenges.

Effectiveness and efficiency

Enhance tools and information systems to use our resources more efficiently.

Leverage and partnerships

Engage with partners to design and implement development solutions.

Innovation and knowledge

Constantly seek better development solutions, applying lessons learned from our work and from others.

Strategic alignment

Ensure that our work plans and behaviors are consistent with our strategic priorities and principles.

Our focus areas

To accelerate progress on the strategic priorities, we channel our efforts into:

Operational



Promoting technology and innovation



Increasing resource mobilization

Further mainstreaming



Promoting gender equality, diversity and inclusion



Addressing climate change and environmental sustainability



Enhancing institutional capacity and the rule of law emphasizing transparency

Corporate



Enhancing value proposition



Boosting institutional profiles



Strengthening knowledge programs



Reinforcing strategic planning process

How do we measure our progress?

We measure our progress through a series of indicators aligned with the Sustainable Development Goals known as the Corporate Results Framework: crf.iadb.org

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