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## THE INTER-AMERICAN

DEVELOPMENT BANK: PURPOSE, RESULTS AND CHALLENGES IN  
LATIN AMERICA AND THE CARIBBEAN

**EL BANCO INTERAMERICANO DE DESARROLLO: PROPÓSITOS, RESULTADOS Y DESAFÍOS EN AMÉRICA LATINA Y EL CARIBE**

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### ABSTRACT

This work aimed to systematize the purposes, results and challenges of the Inter-American Development Bank (IDB) in Latin America and the Caribbean since its foundation until today. To establish the analysis, Paraguay and Peru, from the South American area, Mexico and Haiti, from the Central American and Caribbean area, were taken as examples. For the information gathering, the Historical-Logical methods were used to summarize the economic, political and social history in the member countries. Analysis-Synthesis to critically know the economic, political and social reality of these nations and the Bibliographic Review to compile theoretical information relevant to the topic, which was extracted mainly from scientific journals indexed in international databases, books and chapters of scientific books. The result was a critical appreciation of the IDB's purposes, results and challenges, which, when contrasted with theoretical information, reveal the need to develop comprehensive projects focused on overcoming the main gaps that hinder the progress and development of their peoples, and to establish an analysis beyond the economic field that will make it possible to plan new regional development strategies in the medium and long term to mitigate poverty and underdevelopment through the moderate and sustainable use of the economic, human, technological and environmental resources accumulated by the nations under study.

**Keywords:** Human development, development policy, economic development, social development, regional planning.

### RESUMEN

Este trabajo tuvo como objetivo sistematizar los propósitos, resultados y desafíos del Banco Interamericano de Desarrollo (BID) en América Latina y El Caribe desde su fundación hasta la actualidad. Para establecer el análisis se tomaron como ejemplos Paraguay y Perú del área sudamericana; México y Haití del área centroamericana y caribeña. Para el levantamiento de información se utilizaron los métodos Histórico-Lógico para resumir la historia económica, política y social en los países miembros. Análisis-Síntesis para conocer críticamente la realidad económica, política y social de dichas naciones y la Revisión Bibliográfica para recopilar información teórica relevante al tema, la cual se extrajo, principalmente, de revistas científicas indexadas en bases de datos internacionales, libros y capítulos de libros científicos. Como resultado se obtuvo una apreciación crítica de los propósitos, resultados y desafíos del BID, los cuales al ser contrastados con la información teórica arrojan la necesidad de desarrollar proyectos integrales enfocados en superar las principales brechas que imposibilitan el progreso y el desarrollo de sus pueblos. Asimismo, establecer un análisis más allá del campo económico que permita planificar nuevas estrategias de desarrollo regional a mediano y largo plazos que permitan mitigar la pobreza y el subdesarrollo a partir del uso moderado y sostenible de los recursos económicos, humanos, tecnológicos y ambientales que acumulan las naciones objeto de estudio.

**Palabras clave:** Desarrollo humano, política de desarrollo, desarrollo económico, desarrollo social, planificación regional.

## INTRODUCTION

The economic history of the Latin American and Caribbean countries has been characterized by a process of contradictory development that ranges from the transition of absolute to relative dependence, from colony to neo-colony or factories of their former metropolises as exporters of raw materials; a situation that justifies the unstable development of the regional economies and, at the same time, allows us to understand the negative impact that the First and Second World Wars had on the continental area. However, these warlike events are not the fundamental cause of the faltering economic development in Latin America and the Caribbean, but they are the fundamental cause of the seriousness of the situation in the 40s and 50s of the last century.

At the end of World War II, the United States was reborn as *“the strongest economy in the world, experiencing rapid industrial growth and strong capital accumulation”* (Tolo, 2011). Largely because they were not directly affected by the war, instead, ideal situation to give a further boost to its economy through the sale of weapons, monetary loans, in addition to marketing the goods and supplies produced by their manufacturing and industrial machinery that, for the time, was advanced. In *“the United States, nearly 50% of the world’s GDP was concentrated with less than 7% of the population”* (Tolo, 2011). This situation allowed them, above other countries, to have at their disposal the privatization of world trade; allowing them to easily access and acquire the bulk of the raw materials produced by Latin American and Caribbean countries. According to Clayton (1940), they stated: *“we need big markets all over the world, where we can buy and sell”*. This thinking is consistent with that of the Marshall Plan for European reconstruction.

The term Cold War began to be used in 1947 in the United States. It became popular because of its preponderance to the situation of tension that was lived due to the *“arms race and absence of direct military confrontation”* (Tolo, 2011). These policies were a revelation of arrogance that threatened world peace and possible negotiations between the USSR and USA blocks, since it created panic and uncertainty in the nations, especially those most vulnerable, giving way to the so-called Global Containment whose aim was to prevent the Soviet Union from expanding its communist geopolitics to the world.

Latin America is currently experiencing its worst economic moment, which brings with its social decline, progressive indebtedness and political servility, which has led it to become a colossal exporter of raw materials to the great powers. This situation can be summarized by three

fundamental facts: the worsening of the crisis that began in 1981; the remarkable adjustment effort made by many of the region’s economies to reduce the external imbalances generated in previous years; and the extraordinary contraction in capital inflows, so that a developing region, instead of receiving a transfer of resources from abroad, made a transfer of resources to the rest of the world.

This situation contributed to the deepening of extreme poverty and misery for more than 369 million people living in this continent. In response to this situation, among other economic and financial alternatives, the Inter-American Development Bank (IDB) appeared, whose purpose was to finance economic, social and institutional development projects and to promote regional trade integration in Latin America and the Caribbean. This study aims to systematize what are the results in the continent more than 60 years after its foundation?

The post-war years brought about changes in the social and political consciousness of the world, and, significantly, in economic projections. Redoing the world became the urgency of the following years, demanding the creation of organizations, structures, strategies and projections of a new kind. Responding to such urgencies was the objective of the United Nations Monetary and Financial Conference held in Bretton Woods (USA - 1944).

The ideas discussed there led to the emergence of financial organizations, which, with the application of loans and proposals for action in the economic projection of the nations subjected to treatment, promised the solution to the precarious situation faced by them; standing out among the emerging organizations: The International Monetary Fund (1944) and the World Bank (WB) (1945) As part of the conference agreements, other regional organizations and credit and financing agencies followed, such as the World Trade Organization, the African Development Bank, the Asian Development Bank, the IDB, among others.

These organisms emerged with their own personality in the ways of facing the problem, but with common factors of objectives, which basically were born from the agreements assumed in the United Nations conference in Bretton, such as giving solutions to economic problems, promoting development, avoiding the return of crises like that of 1929 and reducing poverty. That was the IDB’s hope for the area of influence.

The IDB was founded in 1959 with the general objectives already described, in the search for a change of the panorama and on the basis of a sustainable growth for Latin America in those economies that would adjust to the conditions and exigencies proposed by the organism, which did not limit its help to the financial loan. The characteristics

of the proposed package, together with the economic reality of most Latin American and Caribbean countries, justify the immediate incorporation of nations such as Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. Some of these nations will be reference points later on.

The fundamental mission of the IDB is *“to help accelerate the process of individual and collective economic and social development of the regional developing member countries”* (Instituto Interamericano de Cooperación para la Agricultura, 1987, p. 128), as well as to stimulate the idea of agreements between the countries of the region over and above the prevailing irrational nationalism.

The birth of the organism also owes its importance to the economic and social reality in which the target area was located. The IDB's monetary precept was governed by two principles: fixed exchange rates that would avoid devaluation and competitive policies, and currency conversion when selling and buying opportunities in current accounts. The IMF would be in charge of guiding the supervision and review of the monetary system, as well as granting long and short-term loans to countries with low creditworthiness.

The IDB would be responsible for providing loans to the 26 member countries with the capital contributed by themselves, as well as *“resources obtained from the issue of bonds in the international capital markets”* (Tibaquirá Valderrama, 2005). Its main tasks would include distributing the funds resulting from the financial market to promote development projects, increasing private investment when it is in a critical state in terms of availability, as well as training related countries in the preparation of new development projects. In this way, if from the beginning, the work of the IDB has been oriented towards the evolution, development and economic and social prosperity of Latin American and Caribbean countries, then why do these countries continue to have the same (in some cases more aggravated) problems of the past?

According to Lorente Rodríguez (2019), *“Latin America continues to suffer from a series of problems that permeate the education systems, shaping disparate school trajectories and hindering the progress and socioeconomic well-being of its peoples.”* Contradictorily, the ravages caused by World Wars I and II are not the main cause of the economic, political and social decline of the nations of Latin America and the Caribbean in the 1950s, 1960s, 1970s and 1980s. In the economic field, it faced a mono-productive model that was the main obstacle to diversify

and boost regional economies. Another problem was the massive introduction of foreign production with the new production methods which, although more efficient and sophisticated, had a direct impact on the income of the workers who were replaced by machines. Another striking element was the devaluation of the currency; this, in a general sense, had a direct impact on international trade, bringing as a consequence an increase in inflation, weakening of savings in local currency and real wages; among other effects such as the generalized economic deficit. On the political front, corrupt and unstable governments are proliferating.

For Bautista (2017), corruption brings as direct results *“destroyed environment, perverted political processes, altered cultural values, damaged human spirit, rising poverty, increased concentration of wealth and widespread unrest among citizens”*. At present, in terms of corruption, the challenges remain similar to those of past times. Also, in the political sphere, commercial oligarchies prevailed, associated with foreign capital to the detriment of local development, an aspect that prevented updating the forms of distribution of regional wealth. All these problems had a direct impact on the social sphere because they translated into an increase or stagnation of poverty and social debt, high rates of illiteracy were maintained, problems of malnutrition - of all kinds - were not resolved, unemployment rates increased and informal employment prevailed, limiting workers' access to health insurance, loans, mortgages, etc.

The nations of the region were struggling to find solutions to their stagnant underdevelopment. In the 1960s, alternatives for regional integration appeared that *“did not prove to be as important an alternative for economic expansion as expected”* (Reyes, 2000, p. 5). Periods of splendor and progress are rescued such as the “Mexican miracle” in the 1970s, the rise of the Ecuadorian economy in a similar period, among other examples. However, times of economic suffocation treated in different ways prevail, without the appearance of the “oxygen” that the “patient” needed. It is in this context that the appearance of the IDB symbolizes hope (touching the bottom), but this slogan has been just that, leaving its intervention in that kind of futuristic slogan that characterizes the political discourse of the region “everything is possible with time” while in the present the debts incurred in the effort are multiplying, without the “miracle” translated into sustainable development.

Manley's studies (2011), urge the IDB to *“modify policies to increase investments in education and training”* (p. 123), also stating that “Investment in individuals releases the creative potential and innovative spirit that turns things into resources...This confirms that the application

of technologies, strategies and injection of credit finances, together with other actions proposed by the IDB, do not guarantee the economic stability of the financial organization's borrowing member countries or the reduction of poverty either. There could be a potential political will and financial capacity, but, unfortunately, the recipients do not benefit at the expected level and therefore the initial objective of this financial organization is not met, showing progressive severity in its micro and macroeconomic indexes that result in debt growth, less economic soundness and social indebtedness.

But the IDB is not directly responsible for the social economic situation presented by Latin America. It is a multifactorial situation that has been going on for a long time, and as long as there are the current levels of corruption, lack of equity, the rates of violence, lack of opportunities, among others, in the regional area it will continue to hit us harder and harder. *“Latin America and the Caribbean continues to be one of the most unequal regions in the world. According to the WB (2016), of the ten most unequal countries in the world, eight are from the region”* (Redondo Méndez, 2018, p. 28)

In this work we do not intend to propose answers as definitive truths, but to contribute with reflection as a path towards integral regional development. Therefore, systematizing the success achieved by the IDB in the regional area is only part of a whole that requires international attention. If we look back at the economic history of IDB member countries in Latin America and the Caribbean, we find reasons that explain the inability of this organization to combat the economic and social problems of the region.

## METHODOLOGY

The historical-logical method was used to summarize the economic, political and social history in the IDB member countries of Latin America and the Caribbean, allowing a systematization of their main challenges and future, as well as the role that the IDB has played to overcome the economic, political and social problems by nations. The analysis-synthesis served to critically know the economic, political and social reality of the nations studied based on the processing of binding information. The bibliographic review allowed the collection of theoretical information necessary to support the results of this research. The study addresses general elements of the IDB and its purposes and results in Latin America, with the cases of Haiti, Mexico, Paraguay and Peru as examples. Bibliographic information was obtained mainly from scientific journals indexed in international databases, books, book chapters and institutional repositories.

## RESULTS AND DISCUSSION

Haiti, a borrowing member of the IDB and one of its 19 founding countries, is a small country, considered the poorest in the continent and one of the poorest in the world; it exhibits poverty as old as its status of being the first Latin American colony to gain its independence. From that stage to the present, the Haitian nation is, on the one hand, incapable of providing a sustainable response to issues such as education, health, basic life services, sport, etc.; and on the other hand, it is unable to provide a rapid response to epidemics and natural events such as droughts, prolonged periods of rain, tropical hurricanes and seismic movements. Haiti showed an alarming level of poverty in the 1950s, but with its incorporation to the IDB a progressive change was expected; however, the reality has been different. The development data show another reality.

Around 1981, several international organizations led by the World Bank, projected a development strategy with financial injection, modifications in economic and social policy and special attention to agricultural production and exports. The prognosis then was a historic change in the independence of their market and an unusual start to progress. This attempt, in addition to failing, had a multiplying effect of inequality, unemployment and malnutrition, among other corroborated consequences in present-day Haiti.

Between 1993 and 2004, a new government is implemented where, under pressure and proposal of international organisms, other therapies in which the state companies are modified, fiscal policies are implanted, reactive prescriptions, repetition of the result: greater concentration of the wealth, proliferation of the corruption, increase of the unemployment, the GDP decreased, budgetary deficits, decrease of the investment of foreign capital, suspension of credits and other reprisals of the organisms, organizations and authorized nations.

By 2014, Haiti is the country with the lowest GDP and one of the most unequal countries in the world with a nominal per capita income of \$8,797 million, a purchasing power of \$19,020 million with a variation of 4.3% at the end of 2014, inflation of 4.6% and an unemployment rate of 7.8% of its population. As a result, 68% of its population is below the poverty line. Although by the end of 2012 it had exported \$785 million in goods and services, it had a rising external debt of \$1.125 billion, a public expenditure of \$1.114 billion with income of \$1.001 billion, according to IMF data, 2015. Based on the above, it can be seen that Haiti's future is not promising. Poverty, corruption, vulnerability to natural disasters and the low level of its population are the most serious obstacles to its economic growth.

Studies by López & Wessel (2017); Sánchez, et al. (2018); Montoya-Ortiz & Sandoval-Forero (2018); Moreno (2019), and others, point out that Haiti's present is simply hallucinatory, characterized by a disappointed population that literally migrates anywhere without caring about facing the barriers of racial discrimination, xenophobia, lack of formal and decent employment, languages, etc. A large segment of the Haitian population prefers to suffer these hardships in other countries rather than stay in Haiti where sustainable social development alternatives are scarce. Among the main destinations they migrate to the USA, Chile, Ecuador, Mexico, Canada and the Dominican Republic. In light of this, one might ask: does the IDB have a concrete strategy to help curb this demographic situation and offer viable endogenous development alternatives?

According to the general perspective that the organization has shared on its official website for the period 2017-2021, the IDB maintains a traditional discourse that basically focuses on reducing poverty and inequality based on three strategic points: improving the business climate to favor productivity, making essential public services more accessible to enhance human development and strengthening the government's capacity to increase fiscal sustainability. They also propose that the IDB will incorporate key cross-cutting issues for poverty reduction and the overall stability of the country, including climate change resilience, environmental protection and gender equality. To this end, the nation will have an approved budget of \$1366.20 million (IDB, 2020).

Another country with an economic history characterized by short periods of splendor, where stability and glory are, for most of its history, only an endorsement of futuristic strategies and plans, despite its natural resources and extension of territory, is Mexico. The Aztec nation, despite its status as immediate neighbor of the world's leading economy, has not been freed from the economic hardships recorded in Latin America. A founding borrowing member of the IDB is another sign of dependence on the IDB and economic uncertainty for its population.

The 1950s meant for Mexico an economic take-off of great dimensions, which was leveraged by the industrialization process that characterized the country and at the same time allowed a deployment of productive forces that determined to advance in the substitution of imports; the consumption levels of national products increased. This boom allowed the nation's GDP to exceed six percentage points, but *"from 1982 this model began to decline, leaving only a crisis of hyperinflation and debt"* (Avendaño Vargas et al., 2010).

For the 80's, with ups and downs, the Aztec economy maintained its growth; however, said growth was always below what was predicted and the fundamental cause was that the expected increase in productivity did not occur; remaining in this aspect below other countries in the area. On the other hand, the economic growth was paradoxical. On the one hand, GDP increased and, on the other hand, poverty, marginality, emigration, violence and limited access to education rates were skyrocketing; aspects that play *"a fundamental role in social mobility and equal opportunities, since educational credentials are a basic requirement for access to most qualified jobs"*. (Colegio de México, 2018, p. 33).

In 2006, according to the IMF, Mexico had the largest economy in Latin America, considering the comparison between its GDP and PPP amounted to \$ 1172 billion and \$840,012 million in nominal exchange rates, considering that the per capita income was second only to Chile, ranking since 2005 as the country with the highest per capita income in the medium-high range. Inflation was at an all-time low of 4.5% in 2006, with an unemployment rate of 3.2%, which is very low compared to other countries. However, underemployment reached 25%, with a human development index of 0.775, ranking 61st in the world.

From 2015 to present, despite the high economic and investment development achieved in 2015, the Mexican economy suffered a major setback, especially in the commercial and service sectors. It was one of the only three countries with the lowest percentage of poverty reduction in Latin America and the Caribbean. According to the Social Panorama of Latin America 2014 report, the poverty figure for the previous year was 16.7 million people living in this condition, which meant five million more poor people than in 2012. Compared with equal numbers, only Honduras and El Salvador have the same rate of poverty reduction. At the end of 2018, Mexico had a GDP PPP of \$2203 billion, for a growth of 2.95 of its GDP taking into account 2016. Inflation rose to 5.4%. Emigration to the United States, despite the rude measures of the Donald Trump administration, remains significantly high.

For the 2019-2024 period in Mexico, the IDB has focused on three essential areas of work: "contributing to equitable and sustainable access to social services, encouraging dynamic investment and contributing to more balanced and sustainable territorial development. To this end, the country will have an approved budget of \$ 1620.80 million (IDB, 2020). As can be seen, the challenges in years remain similar to past decades. It would be worth asking: Can a country like Mexico overcome these problems in the medium and long-term?

Like the 18 Latin American countries, Paraguay was part of the IDB program in December 1959. Initial resources: \$1 billion, from which \$850 million is authorized for the Ordinary Capital (with \$400 million payable in cash) and \$150 million for the Fund for Special Operations (FSO). In the 1950 census, Paraguay had a population of 1,405,627 inhabitants, two thirds belonged to the agricultural sector, which provided 70% of the jobs, 12% were employed in companies linked to the commercial and industrial sectors, and the rest in services.

The lack of employment caused migration from the cities to the rural areas, but the reality was that agricultural production was not sufficiently developed; its equipment was rudimentary and all work was done manually. In the cities there was a shortage of qualified personnel to work in industry, so agriculture provided the largest source of income for families and the country (35.4% National Income), but despite this situation the governments did not invest in the development and evolution of this sector (there were no roads or railways to support the transportation of products from the countryside to the city and vice versa; therefore, the country needed to import to cover the national food demands). *“94 percent of international trade transactions in 1950 were conducted through ships”* (Arce, et al., 2011, p. 103). In the late 1970s and early 1980s, Paraguay's GDP “was equivalent to about 20 percent of U.S. GDP per capita. After this time the GDP began to decline and a similar trend is still found today.

In the decade from 1989 to 2009, major social changes reappeared where governments in transition promoted deep economic reforms, although they were not positive enough to stimulate GDP growth. It was not until the middle of 2000 that an increase in foreign trade occurred. *“No other regional economy, in the period analyzed here, has suffered an endogenous negative shock of such proportions as that suffered by Paraguay in 1947”*. (Arce, et al., 2011, p. 107)

In the latest 20 years, Paraguay continues to be a country in the process of development, in spite of the advances in democracy and its constant situations to evolve economically, given to a great extent by the lack of institutions that allow the development of the markets, the low development in the industry, the total lack of measures or plans that allow a sustainable development that contributes to raise the standard of living of its inhabitants, both economically and educationally, as well as to work intensely in such a way that allows the country to become visible to the world for investments or tourist attraction. *“Paraguay still has serious deficiencies both in providing conditions for development and economic growth, as well as for the effective and efficient regulation of markets and resources*

*of the Nation. That country has the lowest per capita GDP in Mercosur”*. (Arce, et al., 2011, p. p. 101)

Currently, Paraguay shows some signs of progress that have been highlighted by the WB (2019) “Between 2003 and 2018, the official poverty rate was reduced by 27 percentage points (equivalent to approximately 1.1 million fewer people), reaching 24.2%. The report also notes that “Between 2013 and 2016, poverty rates stagnated and shared prosperity became slightly negative (-0.5%). Both indicators resumed a positive trajectory during 2017-2018, but the sharp slowdown in economic growth projected for 2019 is expected to slow down further progress”. As negative elements, they warn that “Employment statistics for the second quarter of 2019 show an increase in unemployment and underemployment rates and a marked decrease in labor income in both rural and urban areas”, also that “Most people in rural areas still depend on family farming”, increasing the risk of poverty. And education continues to be a weak point for the nation's integral development: “The comparative test scores place Paraguay at similar levels to lower-middle income countries”. Finally, a cable published by RDN Paraguay (2019), warns that among the ten big problems that are never solved in Paraguay are badly made works and inefficient state enterprises, poorly maintained storm drains, hospitals without therapy or medicines, waste of public money, corruption, poorly maintained schools, poorly maintained public transportation, inequality in land distribution, and lack of care and medicines for the most vulnerable populations.

For the period 2019-2023, the IDB Group in Paraguay has a special focus: “to support the institutional and productive transformation of the country under criteria of sustainability, equity and economic and social inclusion. To this end, it will focus on supporting and/or collaborating in four key areas: “public management and institutions; integration and diversification; productive and resilient infrastructure; and human capital and living conditions. To achieve these goals, the country will have \$2620.20 million as its budget (IDB, 2020). As can be seen, these goals are not only ambitious but also very complex because their fulfillment demands not only a high financing capacity, but also human resources trained to give adequate use to the financial resources assigned in order to improve the complex situation of that nation.

Peru is among the founding countries of the IDB and was its first borrower. In 1961 it received \$3.9 million as a loan to rebuild the aqueduct system that was in a deplorable state due to constant earthquakes. From 1961 to 2003, the IDB granted the Andean country \$6.1 00 million, which were allocated to agriculture, mining, industry and infrastructure. In the 1960s, 1970s and 1980s, governments

took industrialization measures that caused an unprecedented economic crisis in the 1980s, in which the “economic shock” had to be programmed to stop inflation and the crisis process.

The Plan Cero (Zero Plan) aggravated the situation, and inflation became a hyperinflation that reached 2,178,482% during the first Aprista government 1985-1990. According to figures from the Central Reserve Bank, mini-devaluations were applied in 1988 and 1989 to avoid a strong impact on the population. By July 1990 international reserves barely reached \$531 million (RPP Noticias, 2019).

To overcome the crisis, measures were taken to eliminate raw material exports and borders were closed to prevent the leakage of natural resources. The Peruvian government made large investments in the development of the industry to create an attractive security environment for investors, thus public expenditures skyrocketed causing a permanent deficit during the period of the 1960s. Much of this capital invested during the process was obtained from partner countries and the IDB, thus adding the country to the long list of indebted people in Latin America. It is no less true that Peruvian industry dedicated to producing consumer and capital goods grew in comparison to other countries, but thanks to this policy the country was plunged into a long-term debt.

In the 1980s, foreign investment was still scarce despite all that the country had invested. Moreover, the few investors mainly dedicated to manufacturing industry took away the country's capital. It was not only until the 1990s that direct investment brought about significant changes in GDP (6.92% of the 2% that it owned in the 1980s). The changes in the constitution (1993) added to the arrival of Alberto Fujimori Fujimori to power (1990-2000) began to suffer instability due to changes in interest.

It is worth remembering that during Alan Garcia's government (1985-1990) the Zero Plan, as the economic crisis of the 80s in Peru was called, helped to increase inflation even in imports; to mention a few consequences, medicines rose 600% and gasoline 400%, the inflation situation went into hyperinflation, product prices rose to 114% and the shortage of raw materials and food became critical. This situation led to various strikes that affected the mining industry and increased exports and consequently damaged the commercial sector, increased unemployment and social uncertainty due to the decline in income. “Per capita consumption fell by 50%, the level of underemployment was 73%..., the number of hours lost to labor conflicts increased from 6 million in 1985 to 124 million in 1990” (Quiroz, 1993). When Alberto Fujimori Fujimori came to power, he found the country plunged into a terrible crisis

and, although he promised to avoid an economic shock, the situation demanded other urgent measures.

On August 8, 1990, Alberto Fujimori announced an economic shock called “Fujishock”: the exchange rate was devalued by 227%, unemployment increased to 73%, inflation reached 7,694.6%. (114.5% in 1987; 1722% in 1988; 2775% in 1989 and 7694% in 1990) (Esperilla, 2018). The country had to correct the strong economic crisis of the 1980s due to the lack of control over fiscal spending and the resulting hyperinflation. Fujimori decreed increases in basic food items on the order of 300%. This precarious situation brought the poverty level up to 10%, the currency was devalued and had to be changed (Inti into Sol), speculation and product shortages increased. Currently, Peru, despite not having a very large territory, is the Latin American country that exports more agricultural products such as coffee, sugar cane, fruits, vegetables, among others; however, mining has lost strength, fishing is paralyzed, nevertheless, it is considered one of the largest agricultural producers on the continent.

In the future, the IDB's strategy for Peru will be aimed at “contributing to closing the economic and social gaps between urban and rural areas and supporting the increase of the economy's productivity as a basis for inclusive and sustainable growth”. For this purpose, the priority areas are many and at the same time complementary: “social inclusion; rural development and agriculture; housing and urban development; climate change and natural disaster risk management; water, sanitation, water resources and solid waste; energy; transportation; public management; and competitiveness and innovation”. To this end, \$2163.40 million has been approved (IDB, 2020).

## CONCLUSIONS

Since 1959, when the IDB appeared on the economic scene of Latin American and Caribbean countries, its proposal was (still is) futuristic, intermittent contributions to development are recognized; but if we analyze it from a sustainable vision, we find that economic, political and social problems continue to be entrenched and negatively impacting the dynamics of Latin American peoples. In this way, the social debt continues to grow until it becomes unpayable, the poverty rates decrease very slowly and even in countries like Peru, by 2017, **“monetary poverty rose for the first time in this millennium, affecting 6'906,000 people at the urban and rural level”**(INEI, 2017, cited by El Comercio, 2019). So, is it sustainable to take off economically without social inclusion and development policies?

We agree that the strategies applied by the IDB for Latin America and the Caribbean are long term and also

optimistic is understandable, but the economic, political and social results throughout the time that this study shows cast doubt on the effectiveness of the strategies applied by the IDB to date; therefore, if they continue to be applied in the present formulas of the past, there are no signs of an economic take-off and much less significant improvements in the macroeconomic indexes of the party countries.

To achieve regional economic, political and social progress, it is necessary for governments -in coordination with the IDB and other national and international financial, charitable and educational institutions- to jointly develop comprehensive projects that help overcome the main gaps that hinder the progress and development of their peoples; avoiding unnecessary debt and working with more emphasis on the most vulnerable sectors of society.

It is essential to establish an analysis beyond the economic field that makes it possible to objectively plan new guidelines or strategies for regional development in the medium and long terms that will make it possible to mitigate poverty and underdevelopment, especially in those peoples who, paradoxically, have the resources of all kinds to make their reality different.

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