

III ROUNDTABLE OF
CHIEF ECONOMISTS
OF LATIN AMERICAN AND
CARIBBEAN DEVELOPMENT
FINANCE INSTITUTIONS

*“Rethinking the Latin American
and Caribbean production model for the future world”*

(Buenos Aires, Argentina, September 21 and 22, 2022)

CHIEF ECONOMISTS



BUENOS AIRES, ARGENTINA

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RETHINKING THE LATIN AMERICAN AND CARIBBEAN PRODUCTION MODEL FOR THE FUTURE WORLD

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The Latin American Association of Development Financing Institutions (ALIDE), in order to provide a vehicle for the discussion and exchange of views among the chief economists of the region's development banks, organized the Third Roundtable of Chief Economists of Latin American and Caribbean Development Banks "Rethinking the Latin American and Caribbean Production Model for the Future World," with the support of Banco de Inversión y Comercio Exterior (BICE) in collaboration with Banco de la Provincia de Buenos Aires Argentina (BAPRO). It took place on September 21 and 22, 2022.

The purpose of the meeting was to discuss the transformation of the production system, regional integration and the role of the development banking system. An effort was made, through dialogue, to share pertinent experiences and practices in countries of the region with regard to problems involving the production structure in the areas of trade, finance and environment. Development and innovation were also examined in greater depth as a means for boosting public policy design to that effect.

The meeting was divided into two parts. The first was reserved for the chief economists or their equivalents in the participating institutions, who discussed the following issues: 1) Financial sustainability and the promotional role of development banking in Latin America; 2) Financing the internationalization of SME production and its integration into value chains in Latin America and the Caribbean; and 3) Examination of the financial institutions: impact assessments of our instruments.

The second part of the meeting was open to the general public interested in the subject and the specialized press and focused on two matters: 1) Structural change and production innovation: capacity building and transformation of the production model; 2) Financing Sustainable Production Transformation: initiatives for inclusion of ESG (environmental, social and governance) principles in development finance; and 3) Support from regional financial organizations for production development and transformation.

This document describes the principal ideas, proposals and results of this Third Roundtable of Chief Economists of Latin American and Caribbean Development Banks.

- The Latin American and Caribbean (LAC) Development Banking system plays an import-

ant role in promoting sustainable, inclusive and supportable practices for the region's development. Actions taken by development banks are significant and essential aspects should be considered like: a) their financial sustainability, inasmuch as resources are required to enable them to continue performing their activities appropriately over time; b) their attainment of a sustainable development agenda in line with the United Nations 2030 Agenda and its sustainable development goals (SDGs); and c) their sharing of knowledge and experiences with each other and their peers from other world regions, as well as with regional and multilateral financial and non-financial organizations.

- The Brazilian Banco de Desenvolvimento de Minas Gerais (BDMG) is **accordingly implementing its work plan in line with the SDGs**. It is keeping firmly to its commitment to cooperate in the post-pandemic economic recovery, with a focus on the State of Minas Gerais. Over the past five years, the BDMG has carried out five commitments that have had an impact on society, in the areas of: renewable energy, financial inclusion, inclusive and sustainable cities, responsible and competitive enterprises, and low-carbon agriculture. Since 2019, it has helped with its actions to create over 300 thousand jobs in this Brazilian State. The financial commitments implemented in both agriculture and renewable energy have, in turn, contributed to the development of the municipalities of Minas Gerais. Programs are also underway **for women's finance and credit lines are oriented toward the cities' recovery in the aftermath of the economic and health crisis**. Some 75% of the funds placed since the pandemic have targeted municipalities with less-than-average development. And resources were also allocated to the health sector for the improvement of hospitals, equipment and medical personnel, in order to ensure better patient services.

- In Paraguay, Agencia Financiera de Desarrollo (AFD) has been practicing wholesale banking for the past 17 years, promoting sectors with a strong social and environmental impact (housing, SMEs, agriculture and stock breeding, and industry, among others), but that are subject to market failures. Financially-speaking, the AFD **has been able to reduce and stabilize interest rates (these were lowered from 45% to 12%-13%) and obtain longer loan periods (these were lengthened from 3 to 15 years)**. In this way, the financial sector has doubled its lending level. The Bank has also boosted economic development by promoting employment in the country's important sectors, particularly that of housing and construction, which is today one of the driving forces for growth, making it possible to mitigate the negative economic impact of the pandemic to some extent. With the crisis of 2020, which left little margin for the maneuver of state institutions, the importance of the Development Banking system was revealed for promoting and furthering the country's development and economic activities. It is for that reason that the AFD has felt the need to innovate the financial instruments used, in order to be able to **more forcefully channel resources towards sustainable activities: promoting financial inclusion, female empowerment, renewable energy sources, the circular economy and economic decarbonization**. In the case of its support for women, the bank is on the verge of launching a guarantee fund to assist women's businesses, similar to the one launched during the pandemic to support MSMEs.

- **In the specific area of environmental finance, the AFD** is working with the Green Climate Fund (GCF) on two support lines: 1) US\$50 million in financing for reforestation activities, through a financial instrument with a 12-year loan term and 12 years of grace; 2) allocation of US\$40 million in financing over the coming 5 years for projects targeting technological change and sustainable construction. The AFD is also jointly designing and studying financing sources for the nation-wide electric transportation plan and working out new funding sources, like thematic bonds. Furthermore, it is developing a local carbon market via the ILACC initiative promoted by CAF – Development Bank of Latin America.

- In Curaçao, Korpodeko seeks to produce positive social and economic benefits for the country's citizens. **The framework for its efforts rests on pillars that promote sustainable development (quality education, decent jobs and economic growth, and alliances to reach the SDGs). Korpodeko has different initiatives underway to promote the people's economic development.** By way of example, it has created a fund for innovation and a program to provide support to enterprises, businesses and institutions. It also has products with which to finance solar, water and wind energy and, in that way, to contribute to a change in the country's energy model, which at present is highly dependent upon imported petroleum.

- **An important role of development banks is to bring together the public and private sectors for the purpose of carrying out joint projects or financings.** In Peru, Corporación Financiera de Desarrollo (Cofide) is, as a matter of fact, working to facilitate joint efforts by the private and public sectors. With this aim in mind, it has recently made changes in its strategic plan in order to provide better financial support for the organizations and to boost the country's development and financial sustainability, as well as to gauge the corporation's economic, social and environmental impact. In 2019, COFIDE brought out the country's first thematic (green) bond issue totaling S/100 million (some US\$25.6 million) to finance green and renewable energy projects. Subsequently, in 2021, it issued a social bond to provide SMEs with S/143.85 million (some US\$37 million) in financing.

FINANCING INTERNATIONALIZATION OF SME PRODUCTION AND THEIR INTEGRATION INTO THE VALUE CHAINS

- The importance of SMEs at the local and national levels is in significant contrast to their reduced international participation. For that reason, **Development Banks are seeking to facilitate support mechanisms to enable a larger number of SMEs to enter regional and global markets as exporters of goods and services with added value, thereby integrating them into international value chains.** SMEs in Uruguay, for example, although representing 99.6% of the enterprises and 65% of the jobs, account for only 40% of GDP and a minimum percentage of the exports. Banco de la República Oriental del Uruguay (BROU), the country's foremost financial institution, plays a key role in finance and inclusive economic growth by supporting the private sector through an ample supply of short-term products (i.e. loans for

temporary investments and working capital), medium-term products (i.e. loans for machinery replacement and technical improvements) and long-term products (i.e. loans for business expansion, environmental improvement, purchase of fields and real estate, and infrastructure). Some specific lines are: 1) financing of the dairy sector to improve or expand its production capacity with loan terms of up to 8 years; 2) plot water, specifically targeting SMEs; 3) field purchase program for small producers, with loan terms of up to 30 years and a grace period of 2 years to facilitate access to land, covering up to 90% of the field's value. For medium producers, it finances up to 70%, with loan terms up to 15 years and a grace period of 2 years; 4) stockbreeding trust, which facilitates the expansion of the business, using cattle as collateral for acceding to 100% of its value.

- Despite the great opportunity for SME business internationalization, and inasmuch as the percentage of their participation in the country's exports is almost nil, thereby revealing the large gap to be covered, BROU has sought, on the one hand, to provide a comprehensive program of support for their internationalization process, as well as a series of related services to bring down the costs and promote the insertion of these businesses in the international markets. The bank, together with organizations like the Union of Exporters, the National Development Agency, the National Agency for Investment and Export Promotion, and the Agency for Research and Innovation, **has developed a pilot program (via a call sent out) known as SMEs to the World, to supply small and medium enterprises with the tools, resources, capacities and advisory assistance needed to be able to internationalize and continue operating in the market.** A total of 21 enterprises were selected for the program, which will be implemented in three phases: a) determination of the work plan for internationalization; b) implementation of the work plan; and c) analysis of the results.

- In Argentina, Banco de la Provincia de Buenos Aires (Bapro), in analyzing regional value chains, found that they are part of those chains as suppliers of production materials and extremely basic industrial products and that very few value chains in the country have diversified industrial products. For that reason, the bank deems it necessary to revitalize production, further SME internationalization and thereby support local industry. Some 87% of Bapro's loans target enterprises (7.3 out of every 10 dollars go to SMEs), especially in the industries, services and production sector (which comprises 50% of the portfolio). It also **coaches SMEs in their internationalization process and introduction into new markets (through bilateral meetings between exporters and possible international importers), and importers in order to establish contact and trade networks with foreign exporters.** In addition, GARANTIZAR SGR-Sociedad de Garantías Recíprocas, together with the country's RGSs, seeks to supplement SME needs by providing banks with guarantees in such a way that they can grant the SMEs the financing they need. Inasmuch as many SMEs seek to enter new markets or raise their levels of exports, GARANTIZAR helps them continue to implement their plans by offering: a) financial guarantees, b) express guarantees (up to US\$200 thousand); and c) digital guarantees for single and independent taxpayers.

- Mexico and the United States have had a bilateral treaty in effect for some years now with the intent of boosting SME efforts to join United States production chains and vice-versa. Nevertheless, it is risky for SMEs to enter those circuits and for that reason development banks like Banco Nacional de Comercio Exterior (Bancomext) and Nacional Financiera (Nafin), **have diverse financial instruments available, including both loans and guarantees and equity, for the various stages of enterprise development and evolution**, for all the stages of production and marketing, supplemented by training programs to ensure the survival of the businesses on becoming internationalized. Although much still remains to be done in Mexico to bring SMEs into the banking system and assist them in their internationalization effort, the financial institutions constitute a vehicle for reducing gaps of this kind.

IMPACT ASSESSMENT IN DEVELOPMENT FINANCE INSTITUTIONS

- A common bias in assessing development bank performance is placing the emphasis on solvency, liquidity, yield and risk management indicators -measures that have a reason for existing (health and survival is the first), but that are not the sole and ultimate objective of these financial institutions. **Their assessment must be more focused on the activities they carry out and the uniqueness of their mandate and functions**, without any pretension for replacing the measures used, but incorporating them with a broader vision in which traditional measures are valued in social terms, on the one hand, and measures of their effectiveness in achieving the specific aims of development finance institutions are incorporated, on the other.

- The Spanish Instituto de Crédito Oficial (ICO) channels funds from ministries or acts as manager in operating instruments like avals or guarantees. However, it also functions as an autonomous development institution. It grants loans through use of the following products: 1) ICO Lends: loans, especially to SMEs through financial institutions; and 2) Direct financing loans: granted to huge projects in large enterprises and can take the form of corporate or bilateral financings. As a national development bank, its function is to provide information to the public and to follow the law of the land and, consequently, it should assess the impact of its activities and deliver reports thereon to the investors. **That assessment is measured transversally in the institution to estimate the macoeconomic impact on variables like GDP, employment and investment**. With the methodology used initially, the direct effects were able to be estimated, but not the indirect or induced effects, above all those concerning the SMEs; this became possible later with the use of the country's input-output table. Thus, for example, as of the issuance of the first social bond in 2015, it was noted, based on an evaluation, that the impact on employment in Spain was far more significant than in the rest of Europe, due to the fact that, in comparative terms, it was structurally weaker. Also, that the impact on sustainability was more significant than the macroeconomic impact. It should be stressed that in order for loans to be sustainable, indicators of the loan's evolution

must be recorded in terms of its sustainability; normally, environmental and social KPIS (Key Performance Indicator) indicators are requested when gauging the impact of those loans.

- The Central American Bank for Economic Integration (CABEI) is a subregional institution, the foremost supplier of resources to its members in the region among all multinational entities. The bank's strategic areas on which it focuses are tied in with aspects of regional integration, sustainable competitiveness, human development, social inclusion, environmental sustainability and gender equality. Its financing mainly targets infrastructure, in such a way that application of those funds contributes towards improving the quality of life of the beneficiaries by expanding the coverage of health, water, sanitation and social housing services. CABEI has renovated its instruments for measuring the impact of its financing in the last 20 years. A **measurement and assessment framework have been adopted for better traceability of the results**. Two examples of these instruments are: 1) the GPR tool that was adopted in 2009 **that makes continuous follow-up of the status of the strategic and operational plans, the results obtained and the risks that could hamper attainment of the objectives possible**. This instrument was reinforced 10 years later through inclusion of the criteria and best practices of the Evaluation Cooperation Group; and 2) CABEI development impact indicator, an instrument containing various modules in **which the impact of all of the bank's operations are verified via statistical analysis**. The integral command table was adopted some 13 years ago and evolved toward the corporate results model 4 years ago. These methodologies are in line with an integral vision via results indicators that compel the bank to make a systematic study of the inputs, activities and products under development in the countries where it operates.

- As a result of recent global crises and following an analysis performed in Banco Hondureño para la Producción y la Vivienda (BANHPROVI), the existence of a major social and economic problem was confirmed, attributable to unemployment and the weakness of the principal production sectors. In attempting to resolve these problems through financing, it was noted after an investigation that **borrowers had little capacity for payment, inasmuch as almost 100% of the minimum wage was spent on basic expenses**. To confront this problem, the bank designed products with a lower interest rate and longer loan terms than traditional products, thereby giving the final user better borrowing conditions. The strategy they adopted for that purpose was "Value shared in the national financial system," led by BANHPROVI with the aim of enhancing financial inclusion and reducing the gap in financing and inequality. An intermediation rate of 3% was established, and with the average operational cost of Honduras' financial system being 2.67%, **promoted competition among intermediaries, with the result that in the case of mortgage finance, traditional housing interest rates** were reduced from 12% to 7%, and socially-promoted housing to 4%. The economic growth rate of the housing sector rose 8.1%, far above the 5% forecast without those measures.

- Argentina's financial system has suffered negative effects in recent years, slowing the flow of enterprise financing. As a result of this, employment, productivity and the number of

enterprises have experienced temporary shocks with long-term effects. Given this scenario, Banco de Inversión y Comercio Exterior (BICE) **launched a working capital line aimed at mitigating those effects on formal employment and evaluated its impact**. The capital line bears an interest rate of between 19% y 34% with loan terms of 12 to 18 months and 3 years of grace. In order to gauge its impact, a control group was formed with enterprises that would behave like the group that had been treated, but had not received the capital line. For each enterprise that had received this line, another, similar one was sought from the same sector and sharing the same characteristics. The dependent variable was the measurement of performance of the enterprises treated. All of this information was used to elaborate an econometric model. The evaluation revealed that **enterprises that received the capital line demonstrated an employment level 7% higher than in 2020**. Those that acceded to other credit lines with an interest rate equal to that of BICE produced a reduced impact if granted after the outbreak of the pandemic, revealing that the main effect of those capital lines emerged if they were granted at the beginning of the health crisis. The design of the programs and lines should always be evidence-based and the performance of a strict impact assessment is recommended.

CAPACITY BUILDING AND TRANSFORMATION OF THE PRODUCTION MODEL

- Structural change is a process resting on two major pillars: a) the reallocation of working resources of low productivity activities towards those of high productivity, and b) modernization of activities. The dynamic, high productivity sectors to which the resources are moved are the manufacturing ecosystem consisting of the manufacturing industry plus the activities/actors involved. Industrial development is important because **strengthening the manufacturing sector boosts production and productivity growth and, at the same time, tends to reduce poverty** (raise income levels). Furthermore, as of the pandemic, the preponderant role played by the manufacturing sector in reinforcing the resilience of the entire economic system was revealed empirically, inasmuch as **the negative impact of the pandemic on economic activity was reduced in countries where the manufacturing industry was more advanced (modern, digitalized)**. Enterprises with advanced digital technologies, in turn, were the most resilient to the effects of the pandemic. For that reason, it is extremely important for opportunities that emerge from the green transition be harnessed to accelerate industrial development. The digital transition is also significant in this process, for countries that do not engage in it will be left behind (in LAC, between 10%-12% of the manufacturing firms use 3.0 technology and only 1%, 4.0 technology), the large enterprises already integrated into global production chains being the ones that employ these technologies. It is the SMEs that reveal the region's largest digital gap, representing a major challenge.

- LAC has been experiencing very low economic growth for several decades now, making it imperative to transform the production model. Sustainable growth resilient over time must

be sought, that would help to combat shocks like the pandemic. Social pressures are producing hasty policy decisions, with highly indebted countries due to future growth expectations. Digital transformation is key in this process and to that end five basic elements must be borne in mind: 1) Digital connectivity; 2) Finance: producing efficient financial services that are digital; 3) Use of digitalization in the production system: entrepreneurs should be trained to produce the necessary capital with which to take advantage of digitalization; 4) Government role: to create incentives for investment and more competitiveness; and 5) Equitable participation of society as a whole.

- There is no homogeneous definition of a value-creating production model. The transformation must be progressive, involve more value added, insertion of more technified links in the value chain. It is not possible to talk about sustainable development without having a manufacturing industry as its driving force. Production structures and profiles must be found that would produce more homogeneous territorial development, not development concentrated in a few territories alone. The only way of accomplishing this is to reach agreements among all decision-making parties by means of structural planning, public policy definitions and the need to finance projects that generate sustainability.

- The difference between growth and economic development must be made clear in order to be able to resolve social problems and future crises. Generally speaking, all countries that recovered their pre-crisis economic level of activity, see some signs of stagnation today. Political decisions regarding economic measures must be responsible for bringing about sustained development. LAC needs to modify purely raw material export-driven models; otherwise, future development will be extremely difficult. Development banks can help to boost those changes and to diversify production in such a way that we, as a region, are able to expand our trade and with our production cover part of the almost US\$150,000 million that we import from outside it. Regionally integrated value chains and the agility of the production systems will be important in that regard. The region should aspire to be a supplier of manufactured products and cease to export raw materials only, thereby obtaining a large value added for the region.

- Argentina was said to have all of the necessary capacity to move ahead with the transformation of its production model because the diversity of the country's production is outstanding in the region (aerospace, nuclear and pharmaceutical industries) and it possesses an industrial ecosystem amply nourished by its scientific and technological system. Even so, the enterprises and sectors are extremely heterogeneous. This results in technological dependence on certain sectors and on an increase in imports leading to cycles of external restriction that hamper growth. Considering this, **the change in production model is of key importance for continuing to boost this change and for adding value, innovation, technology and the other elements to the natural resources.** In this aim, **the role of the State and of the public banking system is fundamental for promoting the finance of strategic sectors.** During the pandemic, the country's industrial system revealed the potential for

providing a rapid response to and satisfaction of the people's needs at a critical point in time, as did the public-private synergies with the scientific-technological system to generate value and face up to a period of economic and health crisis. A series of measures are being taken in order to attract investments to the production sector that would guarantee job creation, transformation and enhancement of the value of exports. Among these are the recently enacted Law Promoting the Automotive Industry and Auto parts to scale this sector at the international level. Infrastructure investments are important for increasing average enterprise productivity and strengthening I+D investments to create value in economic activities. More than 60% of Argentina's investigations of energy have to do with the lithium market, given the country's lithium potential.

- The challenges for production development and its transformation during this post-pandemic period in Argentina stem from energy efficiency and digitalization. Both of these are modifying the management of production systems and business models. Argentina **and the region possess major opportunities** for energy transition, **given the quality of their natural resources and geographic and climate conditions that favor the production of low-carbon goods and services**. By way of example, Argentina has a great potential for attracting investments for the production of lithium and wind power (for green hydrogen production), inasmuch as the country has one of the largest lithium deposits and the windmills (of Patagonia) work twice as long as those in other locations. As a result, this offers an opportunity to raise the levels of natural resource reserves, as well as for development of the industries that will be in line with the energy transition process.

- Bolivia, basically a raw materials exporter, started in 2006 to rethink its export model with a view toward promoting sectors of the manufacturing industry with added value, by developing sustainable products that are not environmentally degradable. The State is at present seeking integral economic-production planning of its various municipalities. In this context, Banco de Desarrollo Productivo (BDP) **has worked out a map of economic-production complexities, in order to identify the comparative advantages among municipalities, so that the manufacturing activities of each can be efficiently exploited**. The State has set up a trust fund for revitalizing the development of national production by allocating loans of US\$1,200 million to public enterprises. It has also **established the US\$350 million Yes Bolivia program for the private sector with an interest rate of 0.5%, as well as identified import substitution products. In addition, it has established action frameworks for generic and specialized technical assistance to producers, with the aim of transforming the production model**. They deem it important to generate value by promoting public-private partnerships, always considering intelligent production diversification. Public and economic policy is key for working a change in the production model. By way of example, Financial Services Law 393 in Bolivia obliges financial intermediation institutions to maintain a portfolio of production-oriented holdings.

INCLUSION OF THE ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) PRINCIPLES IN DEVELOPMENT FINANCE

- Financial institutions are delving increasingly into the adoption of ESG principles, underscoring the need to bear in mind environmental, social and corporate governance factors in the business model, investment strategy and development of financing programs in order to promote socially responsible investments. That being the case, thought was given to the challenges and trends confronting the region for promoting sustainable finances; gender equality and women's inclusion. The financial tools will also be presented for promoting the market in order to comply with the sustainable development goals and the 2030 agenda.
- Insofar as urban development is concerned in Colombia, many of the country's cities reveal deficiencies in planning. The first step that should have been taken was to draw up a plan that would allow for successful strategic projects to be executed. **Through an alliance with the other development banks, Financiera de Desarrollo Territorial (Findeter) offers nonreimbursable resources to some cities considered to be eligible based on the results of an analysis of adequate environmental, social and governance indicators.** It prepares 20-year roadmaps for cities with 200 thousand inhabitants or less and 30-year roadmaps for cities with more than 200 thousand inhabitants. In that way, they are able to contribute to sustainable, competitive and unified growth as a country. The national government allocates funds to cities and territories shown to have adequate projects that are viable from the juridical, economic and sustainable viewpoints. Having roadmaps facilitates the cities' obtaining of these resources. There are 30 sustainable and emblematic cities in Colombia for which resources can be applied for from the Inter-American Development Bank (IDB) and rediscount or wholesales banks.
- In Argentina, Banco de la Provincia de Buenos Aires (Bapro) is known for supporting the development of production in Buenos Aires province and Argentina. Together with the province's organizations, it **has created loan lines targeting the agricultural and industrial sectors and bio-sustainable products and designed to close gender gaps.** From the vantage point of Provincia Microcréditos, one branch of the bank is working on agroindustrial and financial inclusion lines, among others. Bapro is also participating in gender- and women's participation-oriented policies at different levels of the organization. It should be stressed that this bank was the first in Argentina to have a women's, gender and diversity committee.
- The Brazilian Agencia de Desenvolvimento Paulista (DESENVOLVE SP) has focused on using all available means for reaching its maximum potential. A total of 1,000 million reales (roughly some US\$200 million) in SME loans have been placed via its digital platform, created in the year 2016. **Not only traditional, but also thematic loan lines are offered through the platform.** Programs targeting industrial and digitalization SMEs have been launched, particularly those focusing on industry 4.0. During the health crisis, the agency devoted its efforts to granting guarantees, in addition to funding tools like sustainable bonds.

- Honduras is seen to have been affected by several different decisions, among them: 1) The 1990 Law of structural adjustment of the economy, which abolished the planning secretariat and delayed the country's production transformation; and 2) The agricultural sector modernization law, through which technology production and transfer were handed over to private enterprise, producing a technology lag at the national level. The two measures gave more weight to the market and private initiative, but without producing the expected results. As a country, Honduras has major challenges to meet. Banco Nacional de Desarrollo Agrícola (BANADESA) focuses on the agricultural sector, which was severely affected in 1990 and saw its production capacity reduced. An inclusion policy was adopted in 2022, allowing many producers to accede to financial services for the first time. **Some producers have loans starting at US\$210 for agricultural development purposes. All producers are required to refrain from the use of polluting products.**

- In a complex environment where it is necessary to uncouple the lending and borrowing rates to incentivize saving in local currency for financing investment, with the strong current trend towards dollarization and negative lending rates in real terms, Argentina has several mechanisms to promote investment, such as, for example: a) Fondo Nacional de Desarrollo Productivo (Fondep) trust funds that give rate discounts or rebates or b) Fondo de Garantías Argentino (Fogar) trust fund that grants banking institutions guarantees so that SMEs can accede to loans; these enable development banks to create loan lines that are accessible for investment in the country. At the same time, with high levels of inflation, mechanisms must be sought for its mitigation and for the process described between the lending and borrowing interest rates in order to make it effective for boosting financing for investment. In this context, Banco de Inversión y Comercio Exterior (BICE) **is equipped with several tools for responding to global challenges in the environmental, governance and social areas**, among them: 1) SARAS: a system that makes it possible to determine which risks are not financial and thus be able to supplement the loan allocation system; 2) Gender orientation: the bank has a line for women leaders, with a financial component and a non-financial line with training; 3) Renewable energy production: it has US\$160 million in credit lines.

SUPPORT FROM REGIONAL AND MULTILATERAL ORGANIZATIONS FOR PRODUCTION DEVELOPMENT AND TRANSFORMATION

- The experiences of regional financial organizations reveal that those entities can be valuable allies of the countries and of a Development Banking system strongly determined to support policies and measures designed to boost structural changes in our countries' production system by providing medium- and long-term finance for investment in projects to modernize the production system with a view to enhancing its competitiveness, promoting exports, incorporating more value added into the products, developing new industries with the capacity for competing on the international scene, financing with seed and venture capital, enterprise incubators, as well as changes in the energy model with emphasis on produc-

ing cleaner energy from less environmentally polluting renewable sources.

- From the viewpoint of CAF- Development Bank of Latin America, **regional development banks can provide and produce knowledge to support production development and transformation**. Given the complementary nature of financing and knowledge, an effort should be made to assess the impact of financing and its later scaling. The need to reduce carbon emissions and mitigate the effects of climate change could bring about a relocation of some value chains and offers a great opportunity for the region's development, in which CAF has important initiatives, such as, for example, the ILACC initiative for the region's carbon development. But **opportunities are also to be found in infrastructure, water, transportation, new energy sources and other sectors, and for that reason thought should be given to how we can adapt to them, understand them and finance them**.

- From the vantage point of the IDB, **the existing problems are also expected to offer a major opportunity for a sustainable economic recovery**. The IDB's instruments focus on supporting public banks in order to promote a sustainable economic recovery by means of clearly defined climate finance goals and the incorporation of diverse population groups. The IDB works with a climate finance strategy for the region, creating clear and precise definitions of what should be considered green finance. At the same time, it works on reaching clear definitions regarding women's finance. And the approach being taken in the question of post-Covid production development is one of diversification of production. The projects focuses on how to provide financing for small enterprises by using large enterprises as anchoring points.

- A requirement in the region is to have a larger quantity of resources available with which to support all sectors. In this situation, multilateral institutions face the challenge of choosing which sectors to support. The SME sector, for example, needs to adopt technology, for it suffers from large disparities compared with the largest enterprises; these must be detected and reduced, as must the social disparities. National fiscal restrictions constitute a challenge at the moment of prioritizing key issues and, perhaps, the sectors for promoting development; for that reason, **more flexible instruments are required, adjusted to the needs of the countries in this situation**.

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