4TH MEETING OF CHIEF ECONOMISTS OF LATIN AMERICAN AND CARIBBEAN DEVELOPMENT FINANCE INSTITUTIONS

«Alignment of Development Banking with Major Global Initiatives and Agreements Relevant to Latin America and the Caribbean»

REPORT

Lima, Peru, February 29 and March 1, 2024

ALIDE AFD GROUPE IDB

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The Latin American Association of Development Finance Institutions (ALIDE), in order to provide a venue for discussion and exchange for the region's Chief Economists of Development Banks, organized, with the support of the Inter-American Development Bank and AFD Groupe, the Fourth Meeting of Chief Economists of Latin American and Caribbean Development Banks, under the theme "Alignment of Development Banking with Major Global Initiatives and Agreements Relevant to Latin America and the Caribbean", on February 29 and March 1, 2024.

The objective was to generate elements for an agenda that addresses the relevant aspects of development financing, serving as a guide for financial institutions, their policies and operational practices. In addition, this agenda and its results will serve as an input for ALIDE's action in guiding its activities in support of its member institutions and the development financing system in the region.

The first of these meetings took place in Minas Gerais, Brazil, in 2019, with the support of Banco de Desenvolvimento de Minas Gerais (BDMG), where "The role of development banks in the context of the priorities of the 2030 Agenda for Sustainable Development" was discussed. The second meeting, in 2021, was held in virtual format with the support of Financiera Emprendedores de México, and its topic of discussion was "Economic recovery and regional strengthening in response to the impact of the COVID-19 crisis: The action of development banks". The third meeting was held in the city of Buenos Aires with Banco de Desarrollo de Argentina (BICE), focusing on the "Transformation of the productive matrix, the promotion of regional integration and the crucial role of the Development Banking."

In this 4th edition, the agenda focused on specific topics related to the future of the region's economies, which are being prioritized by the Development Banking (DB). As part of this theme, the role that innovation and new technologies are playing in key sectors and areas of the economy and climate finance stands out, as well as the need to align the DB strategy with major global initiatives and agreements, including the Sustainable Development Goals (SDGs), the Paris Agreement, the Global Biodiversity Framework and the New Global Financial Pact, the World Summit on Food Security, among others. Without neglecting topics such as financial and social inclusion and integration and gender equity, as well as the concern for knowing the social, economic and environmental impact of actions of development banking.

This document presents the main ideas, proposals and results of this Fourth Meeting, which included the following thematic panels: Alignment with regional and global initiatives and objectives; infrastructure and urban development; public-private cooperation; technological development and its contribution to the improvement of value chains to boost trade; small and medium enterprises (SMEs), financial inclusion and gender equality; sustainable agriculture and food security; and impact evaluation of the contribution to development.

ALIGNMENT WITH REGIONAL AND GLOBAL INITIATIVES AND OBJECTIVES

The alignment of Development Banking with the Sustainable Development Goals, the Paris Agreement and other global agreements is crucial to address systemic challenges and effectively fulfill its mandate as a lever for economic development. By aligning themselves with global issues, banks improve their position to attract and diversify financing sources with particular characteristics, manage risks and contribute to global efforts to reduce poverty, reduce inequality and combat climate change, among other global concerns.

In Brazil, the National Development System (SNF), composed of 34 financial institutions comprising a variety of entities, from federal banks to financial cooperatives, plays a crucial role in driving the country's economic development and promoting social inclusion. In 2022, the ABDE[1] 2030 Sustainable Development Plan was published, establishing a roadmap for sustainable and inclusive economic development in Brazil. The plan was structured around five main missions: 1) Digital, smart and inclusive future; 2) Innovation ecosystem in bioeconomy and for the Amazon rainforest; 3) Agribusinesses involved in the ecological transition; 4) Infrastructure and sustainable cities; and 5) Health as a driver of development. The SNF plays a key role in the implementation of these missions, particularly in strengthening financing for what has been called green neo-industrialization and the ecological transition in the country.

To assess its contribution to advancing the SDGs, the SNF adopted the ABDE-UNDP Methodology, which focuses on the following key aspects: 1) To increase the allocation of financial resources to the SDGs globally and in Brazil; 2) To enhance the capacity of the SNF to contribute to the achievement of the SDGs; 3) To improve the orientation of capital flows towards activities with a greater socio-environmental contribution; 4) To identify vocations, potentials and gaps in financing the SDGs; and 5) To support the development of appropriate financing taxonomies for the work of development finance institutions. As a result of the application of the methodology in 10 of the 32 SNF institutions, it was estimated that between 2020 and 2022, the SNF classified R$652 billion (about US$131 billion) in financings. 58% of these resources were focused on SDG 2 (Zero Hunger and Sustainable Agriculture), SDG 8 (Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure). Moreover, areas where the SNF can improve its contribution were identified, such as expanding its involvement in SDG 5 (Gender equality), 4 (Quality education) and 16 (Peace and institutions).

The aforementioned methodology, developed in partnership with the German Agency for International Cooperation (GIZ) and CAF-Development Bank of Latin America and the Caribbean, aims to promote greater alignment and contribution to the SDGs in Brazil, as part of the SDG Project and Guide. The highlights of this methodology are as follows:

- Applied Methodology: A specific methodology has been used to assess how each institution's portfolio can contribute positively or negatively to each SDG. This assessment provides a detailed view of the impact of financial activities on the achievement of the SDGs.

[1] ABDE - Associação Brasileira de Desenvolvimento

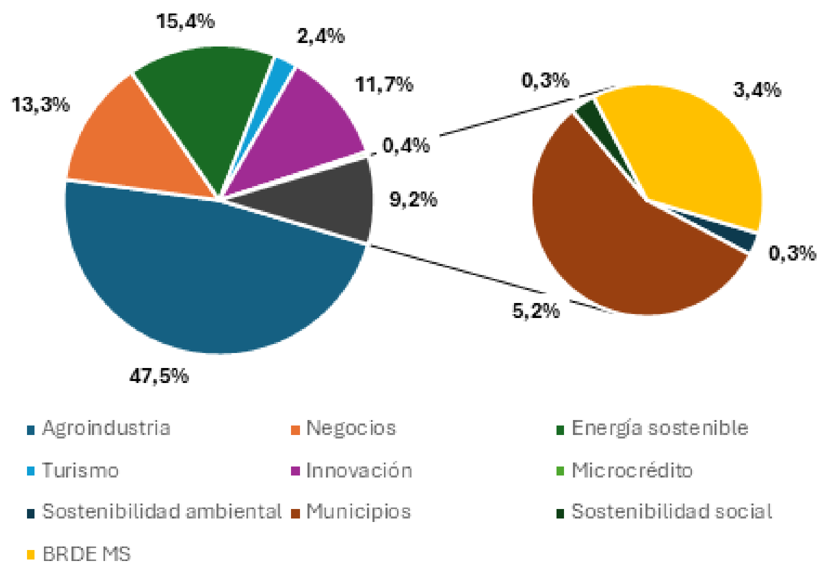
- Internalization of the SDGs: The project has fostered the internalization of the SDGs in Brazilian Development Finance Institutions (DFIs), promoting greater awareness of the importance of these goals in their operations and strategies.
- Strategic Prioritization: A strategic prioritization of the sustainable agenda has been carried out in different institutions of the National Development System (SNF), identifying key areas where they can maximize their positive impact in terms of sustainable development.
- Assessment of Capital Distribution: Capital distribution has been assessed for the SDGs considered relevant, allowing a more effective allocation of financial resources towards activities with a greater potential for socio-environmental contribution.
- Consideration of Local Needs: Special attention has been paid to the consideration of local needs in the implementation of strategies for the SDGs, ensuring that actions are contextualized and respond to the specific demands of each region of the country.
- Internal Reflection and Face-to-Face Workshop: Interdisciplinary teams from each DFI participated in a face-to-face workshop, where an internal reflection on how to improve the contribution to the SDGs was carried out. This facilitated the exchange of ideas and experiences among DFIs.

In the particular case of **Banco Nacional de Desenvolvimento Económico e Social (BNDES)**, it leads the goal of a green, innovative and digital Brazil. BNDES supports the administration of three strategic programs: the Growth Acceleration Program (PAC), the Energy Transition Program (PTE) and New Industry Brazil. PAC will invest US$348 billion through 2026 in all Brazilian states. Around 120 PAC projects will contribute to the integration of the continent, including a total investment of more than US$4 billion in roads, railroads, airports and energy. In terms of pathways for integration, BNDES has signed cooperation agreements with CAF, the IDB and Fonplata, called "Integration Routes". This initiative of the banks makes US$10 billion available for integration projects. On the other hand, the new Brazilian industry will boost the national industry until 2033 by increasing autonomy, the ecological transition and the modernization of the Brazilian industrial park. New Industry Brazil will invest US$62 billion until 2026. In addition, BNDES manages two funds in Brazil aligned with the country's ecological transformation plan: the New Climate Fund, which is expected to raise US$2.1 billion, and the Amazon Fund, which is the main concrete action for international cooperation in the agenda to combat deforestation in the Amazon rainforest.

Banco Regional de Desenvolvimento do Extremo Sul (BRDE), with a portfolio of 36,875 active customers, serves 95% of the municipalities in the southern region of the country. In partnership and cooperation with national and international allies, it works with institutions such as BNDES, FINEP, the French Development Agency (AFD), the Inter-American Development Bank (IDB), the World Bank, CAF-Development Bank of Latin America and the Caribbean, the European Investment Bank (EIB), the New Development Bank (NDB), among others. In 2023, the Bank's financing reached R$5,829 million (about US$1,167 million), with 7,940 operations, 80.9% aligned with at least one SDG. The main sectors served were agriculture, followed by business and sustainable energy (Figure No. 1).

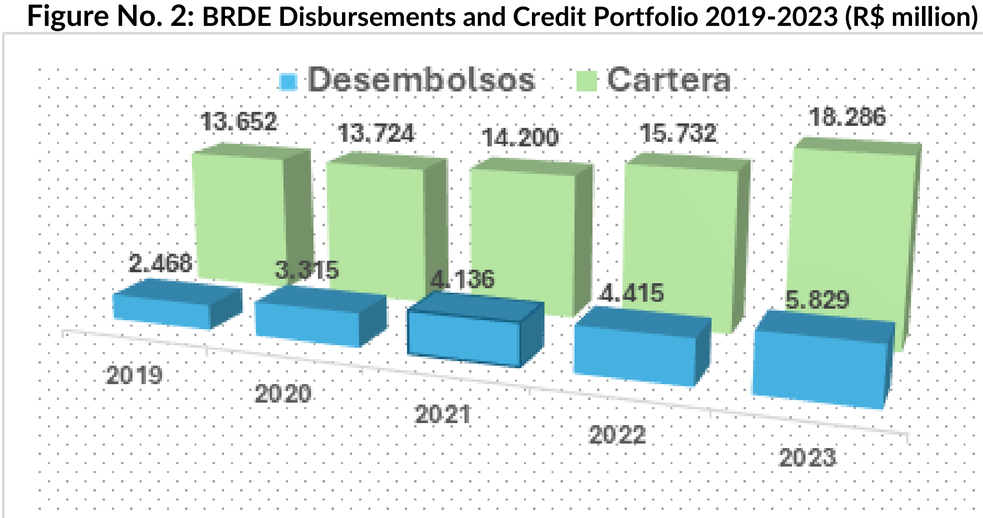
Since 2019, a 136% increase in disbursements has been observed, from R$2,468 million (US$494 million) to R$5,829 million (US$ 1,167 million), while the credit portfolio balance increased by 34% from R$13,652 million (US$2,733 million) in 2019 to R$18,286 million (US$3,660 million) in 2023 (Figure No. 2).

Figure No. 1: BRDE Investments by Sector 2023



Source: BRDE (2023).

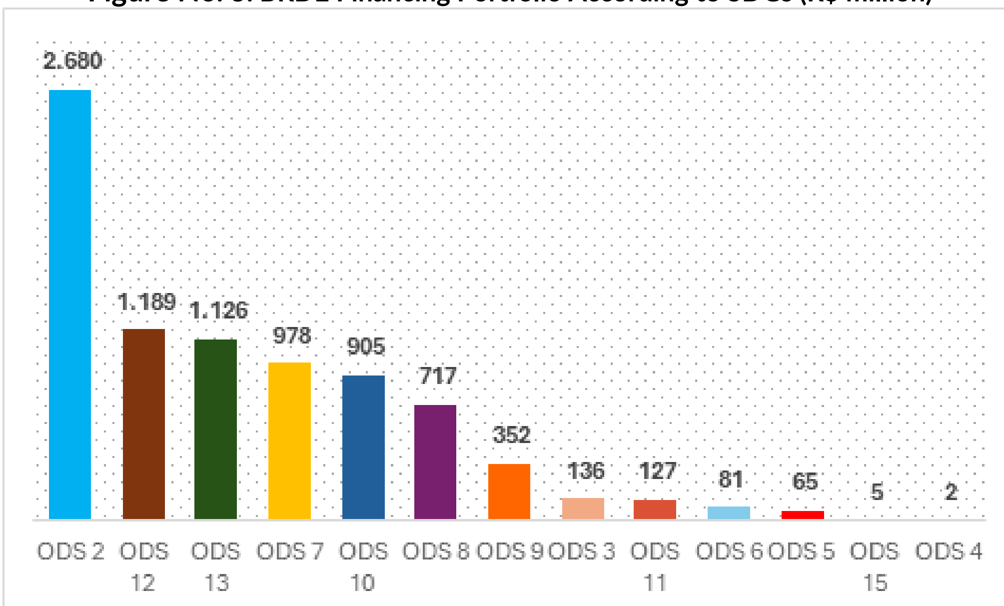
Figure No. 2: BRDE Disbursements and Credit Portfolio 2019-2023 (R$ million)



As for its activity as a Green Bank, BRDE has a set of initiatives to promote a positive socio-environmental and climate impact in the southern region of Brazil, based on the following lines of action: 1) To mitigate the environmental impact generated by the Bank's operational activities; 2) To promote socio-environmental and climate projects through financial support

from the Green and Equity Fund; 3) To promote or encourage socio-environmental and climate projects through credit operations.
So far, these initiatives have contracted R$1.10 billion (about US$220 million), totaling 742 financed projects. The BRDE has sought to align the financing granted with the SDGs (Figure No. 3). Thus, in 2023, 80.9% of the financing granted falls into these categories, with an amount disbursed of R$4.7 billion (about US$940 million), with SDG 2 Zero Hunger being the main recipient of funds.

Figure No. 3: BRDE Financing Portfolio According to SDGs (R$ million)



Source: BRDE (2023)

In **Spain, Instituto de Crédito Oficial (ICO)** is a public credit institution that operates on market conditions, without granting public aid, and is subject to the supervision and control regulations of the banking regulatory entity. Under the principle of financial balance and sufficiency, it collaborates as an instrument of economic policy with different ministries and public agencies to mobilize loan programs, guarantees or grants, funds or resources of the EU. This is done with the objective of driving the transformation and sustainable growth of the national economy, based on the strategic priorities established in the EU Recovery Plan and Multiannual Financial Framework 2021-2027. To achieve its objectives, ICO performs three main functions: National Promotion Bank, Financial Instrument of Economic Policy and State Financial Agency.

The ICO 2022–2027 Business Growth Strategy seeks to boost business growth and size as a driver of competitiveness, job creation and innovation in the Spanish economy. The Digital Transformation or digitization strategy is one of the main vectors for promoting recovery, competitiveness, sustainable economic growth and job creation. It also aims to provide the productive network with greater resilience to face future shocks and dynamism to take advantage of new opportunities (Figure No. 4). Sustainability is ICO's cross-cutting pillar of action, present in corporate financing operations, fundraising through sustainable bonds, governance and corporate social responsibility (Figure No. 5).

The ICO Group's corporate governance policies show precisely the coherence of its commitment to sustainability through the approval of internal policies as cross-cutting pillars guiding its actions. These policies include the environmental policy, the quality policy, the corporate social responsibility policy, the data protection policy, the policy for the prevention of money laundering and terrorist financing, the safety, health and welfare policy, the digital disconnection policy, the equality plan, the code of ethics and conduct, and the rules of conduct in the stock market.

In this regard, its lines of action include the following: 1) To act as a signaller in the design and application of all sustainability-related actions it undertakes, encouraging its stakeholders to share their objectives and commitments in this matter; 2) To combat climate change and protect natural capital, in line with the best international practices and, in particular, applying the EU's do no significant harm principle; 3) To favor a fair and inclusive transition, so that the ICO is a decisive actor of change, making new opportunities available to all. In this way, the material issues of corporate governance are aligned with its strategic axes and action plans.

Figure No. 4: Transformation Digitization

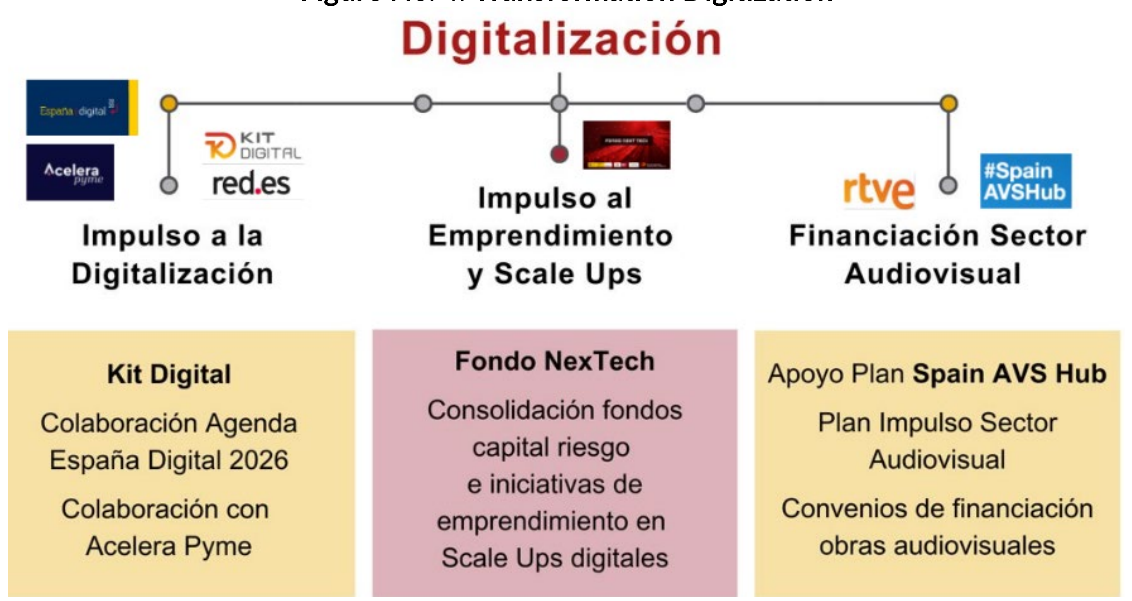
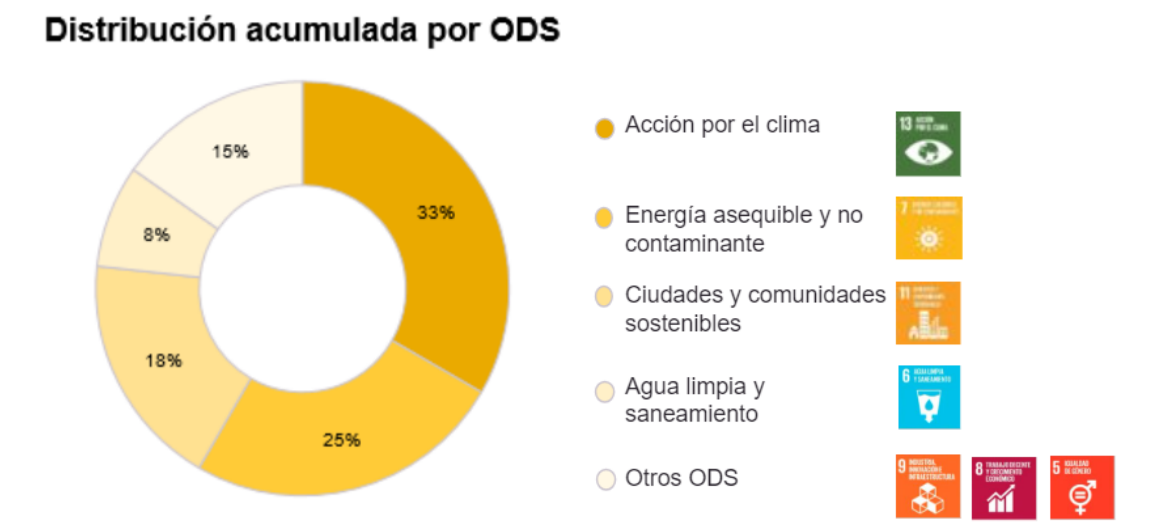


Figure No. 5: Sustainability Policy

Consistent with the above, the ICO Group's action in direct financing seeks to contribute to the Sustainable Development Goals and the climate objectives of the Paris Agreement through its portfolio. It also seeks to incorporate the risks and opportunities arising from climate change into its strategy and business (Figure No. 6). Likewise, through intermediation in the international channel, they promote sustainable financing through their lines of mediation, which are experiencing increasing growth (Figure No. 7).

Figure No. 6: Alignment of the Direct Portfolio by SDGs

Figure No. 7: Cumulative Distribution by SDG



On the other hand, ICO is a benchmark issuer of sustainable bonds at national and European level, mobilizing a very significant amount in public-private collaboration towards ESG (environmental, social and corporate governance) objectives. The issue of sustainable bonds is a key instrument in ICO's sustainability strategy, with a total of 15 issues and €7.55 billion issued, mobilizing more than €16 billion. In this way, they promote the financing of projects that respect the environment and the social benefit of people.

For the **French Development Agency (AFD)**, being aligned with the Sustainable Development Goals (SDGs) means integrating the principles of sustainable development in all its operations and projects. Since 2023, the AFD group has implemented a sustainable development analysis tool that evaluates the contribution of projects to the major dimensions of sustainable development, such as biodiversity, climate, social link, gender, sustainable economy and governance. The main tool used for this purpose is the Sustainable Development Analysis Tool, which makes it possible to optimize the positive impacts of projects, minimize negative impacts and reinforce synergies among the SDGs throughout the project life cycle. AFD also uses an exclusion list, which specifies the types of activities that the Group refuses to fund due to environmental, social, ethical or regulatory criteria, such that it has stopped supporting projects that are inconsistent with low-carbon trajectories, including any electricity production projects from fossil fuels, such as natural gas.

Since alignment with the SDGs involves not only implementing projects that promote sustainable development goals, but also measuring and evaluating the development impacts achieved, AFD uses the Faro-ODS 2.0, a tool that allows it to better visualize and take into account the SDG contributions and results of its financed operations.

In the **Caribbean Region**, the Caribbean Development Fund (CDF), a regional development finance institution, is mandated to provide technical and financial assistance to disadvantaged countries, regions and sectors. In addition, it seeks to support CARICOM[2] integration by addressing economic and social cohesion, attract investment and new industries to disadvantaged countries, regions and sectors, improve industrial efficiency and competitiveness, achieve structural diversification and infrastructure development, and promote financial innovation for climate action. Its key priority areas include regional investment promotion and mobilization, human capacity building and business competitiveness, environmental resilience and climate action, infrastructure, community empowerment and agricultural sector transformation.

Environmental resilience and climate action for the Caribbean are highly relevant as Caribbean countries face increasing economic, fiscal and social challenges due to the increased frequency and intensity of adverse climate events. The financing gap for resilience in the Caribbean is estimated at more than US$20 billion, and governments lack the financial capacity to address it.

To address these problems, the CDF believes that the following are needed: 1) Mechanisms to finance climate-related loss and damage and build resilience; 2) To develop a market that generates demand and supply for resilience investments financed by the private sector; 3) To increase concessional financing from development partners to scale up public sector efforts. To this end, the CDF is implementing a strategy with the objective of maximizing sustainable impact across industries and territories and contributing to SDGs 1, 2, 6, 7, 9, 11, 12, 13, 14 and 15. Its focus areas include:

1. Housing: Prioritizing affordable housing construction and the use of sustainable building materials.
2. Energy: Focusing on the development of distributed energy resources and waste-to-energy projects.
3. Blue economy: Focusing on wastewater treatment and management and sargassum reuse[3].
4. Information and communication technology: Promoting broadband expansion, geographic information systems and information technology training.
5. Transportation: Working on the construction of efficient port, airport or dry dock infrastructure, as well as the installation of solar and electric vehicle charging stations.
6. Financial Services: Promoting the development of financial technology (Fintech) and microfinance, as well as accounts receivable financing and factoring.

[2] The 12 Member States are: Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

[3] A type of brown algae that serves as food, shelter and breeding grounds for many marine animals, such as turtles, crabs, shrimp, fish and seabirds. This is a sector where important scientific advances have been made and can be a great opportunity for development due to the multiple applications of the products obtained from algae.

7. Agriculture: Implementing strategies to reduce greenhouse gas emissions, promote the use of organic fertilizers and pesticides, and develop climate-resilient crops.

To address these challenges, the CDF has implemented a package of support facilities that includes: 1) **Credit Risk Abatement Facility (CRAF)**, aimed at addressing the credit risk associated with renewable energy and energy efficiency projects in CARICOM countries. It aims to help these countries achieve their nationally determined contributions, stimulate demand from small and medium enterprises (SMEs) interested in these projects, and encourage financial institutions to promote economic activity (Figure No. 8); 2) **Credit Risk Instrument,** which guarantees 80% of the loan amount and has automatic approval. It is aimed at the agriculture, tourism and manufacturing sectors, with maximum tenors of up to 10 years and covers loans ranging from US$25,000 to US$750,000. It is available to financial institutions, energy service companies (ESCOs) and funds (Figure No. 9); and, 3) **Technical Assistance Facility**, which is offered on an unlimited basis and at no cost to CRAF partners to support the completion of projects that benefit SMEs, service providers, financial institutions, ESCOs and funds (Figure No. 10).

Figure No. 8: Credit Risk Abatement Facility (CRAF)

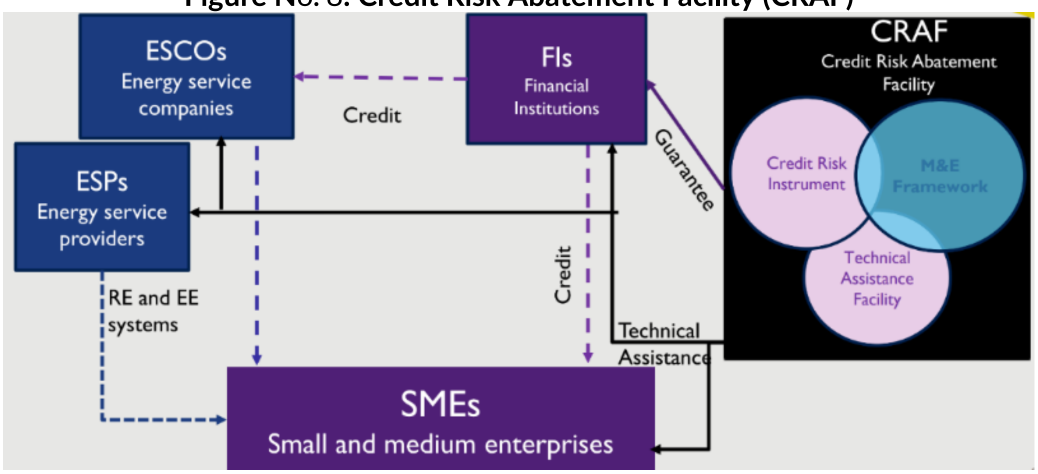


Figure No. 9: Credit Risk Instrument (CRI)

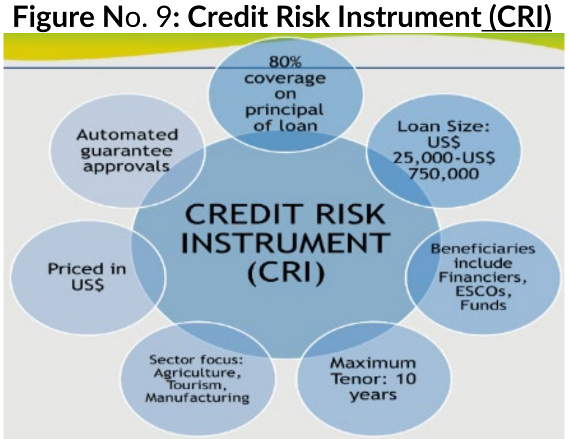
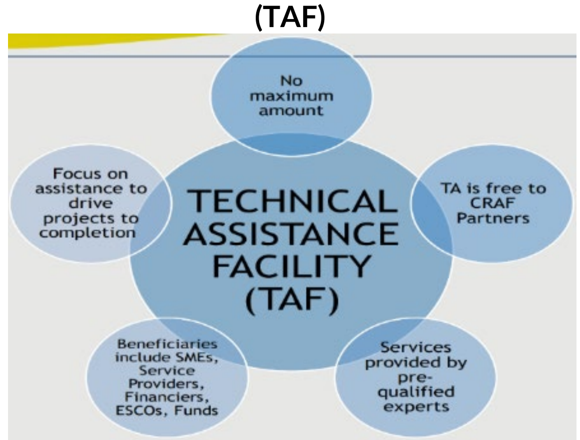
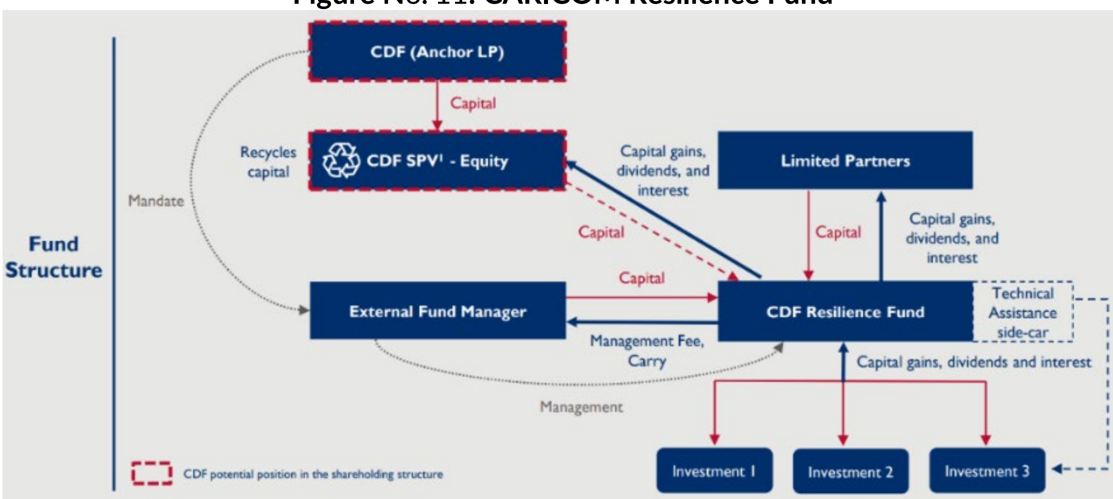


Figure No. 10: Technical Assistance Facility (TAF)



A second solution implemented by the CDF is the US$100 million **CARICOM Resilience Fund**, designed to support investments through debt, mezzanine, equity and technical assistance. The objectives of this fund are: 1) Economic robustness: Mitigating and adapting to adverse economic impacts, especially related to climate change; 2) Structural diversification: Achieving economic diversification and infrastructure development; 3) Capital accessibility: Leveraging concessional capital to attract commercial investors; 4) Exposure to regional impact: Offering investors exposure to impact investments in the region; 5) Capacity building: Providing approximately US$5 million of technical assistance to improve the investment readiness of investee companies (Figure No. 11).

Figure No. 11: CARICOM Resilience Fund



In terms of climate change, the risks arising from this phenomenon in Latin America and the Caribbean (LAC) represent a growing challenge that requires urgent attention and coordinated actions. The impacts of climate change in LAC are becoming increasingly evident and significant. Extreme climate events, such as hurricanes, floods and droughts, are increasing in frequency and intensity, threatening food security, infrastructure, public health and economy in the region. The small island states of the Caribbean are particularly vulnerable, facing **greater physical climate risks** (Figure No. 12) due to their exposure to extreme weather events such as hurricanes and tropical storms. In turn, they are less exposed to **transitional climate risk** (Figure No. 13) than other regions, but the need to reduce greenhouse gas emissions and implement renewable energies stand out as key issues in addressing climate change. In this context, it is crucial to promote a just and equitable transition to a low-carbon economy in LAC, ensuring that no one is left behind in the process of mitigating and adapting to climate change.

International Financial Institutions play a crucial role in providing financing for climate change adaptation and mitigation in LAC. These organizations channel funds to climate resilience, sustainable infrastructure and renewable energy projects, thus helping to reduce the region's vulnerability to climate risks. In the particular case of the EIB, it has broadened its focus to address the challenges of climate change in LAC through loans and financing that promote energy efficiency, natural resource conservation and climate change adaptation in the region.

Figure No. 12: Physical Climate Risks

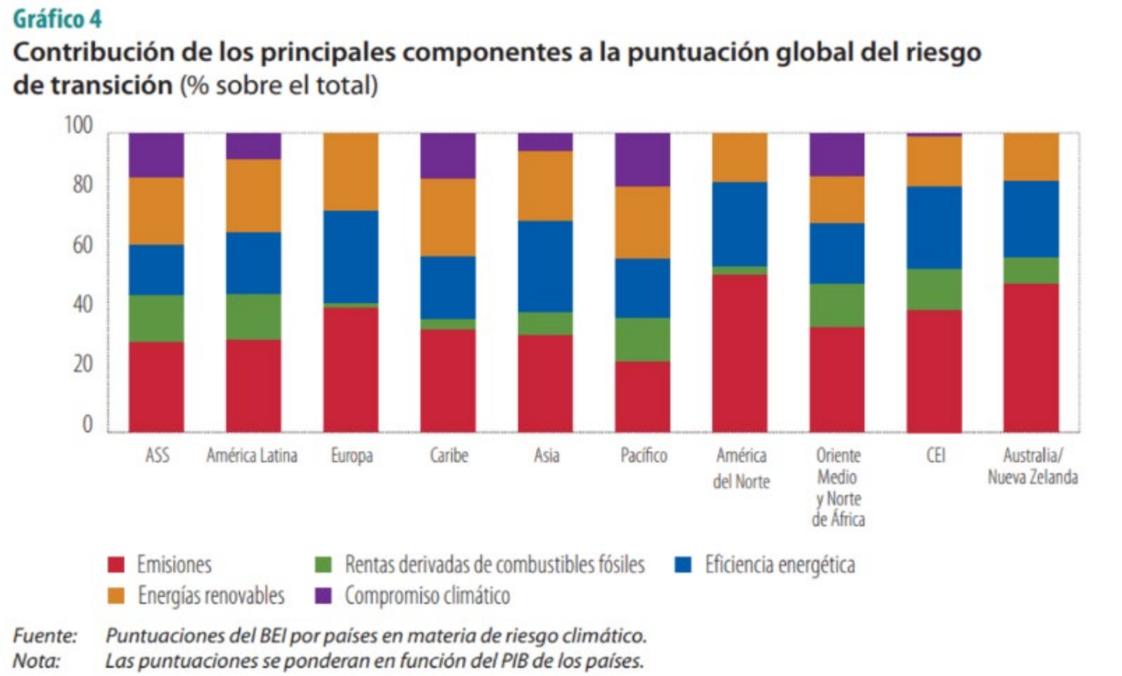
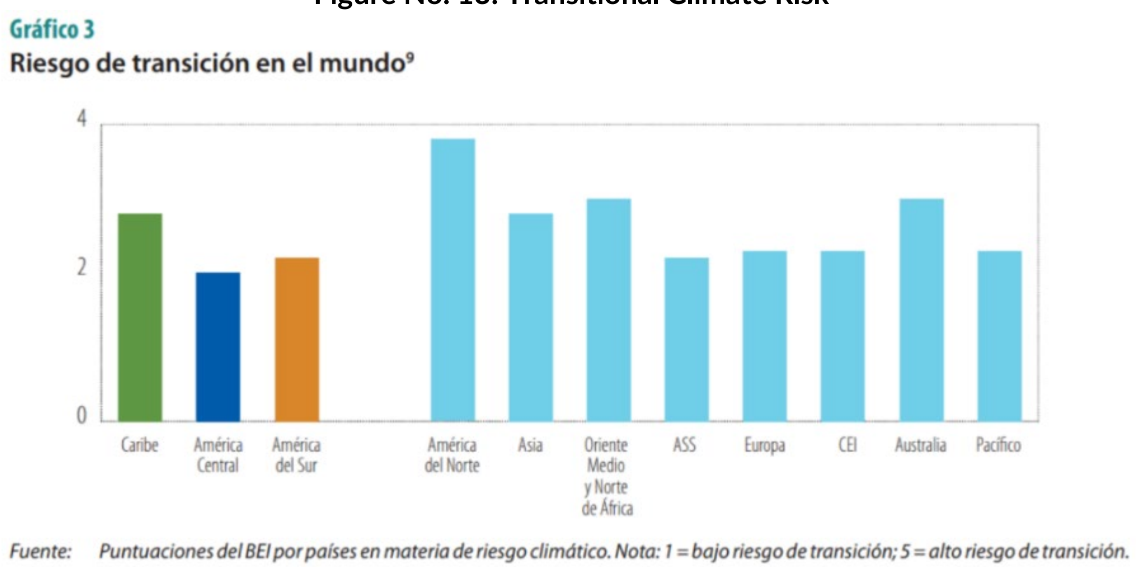


Figure No. 13: Transitional Climate Risk

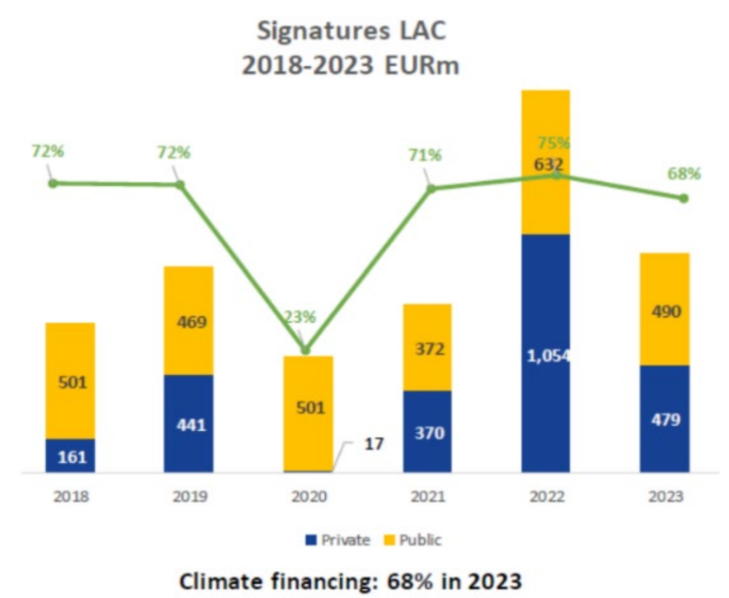


International financial institutions play a crucial role in climate change mitigation and adaptation in LAC. However, the financial depth across the region remains low. Despite growing awareness of climate urgency, LAC countries receive only 6% of global climate finance. In this context, public DFIs have an important role to play in promoting ecological investments in the region. These institutions have the capacity to mobilize significant financial resources and facilitate access to financing for projects that promote climate resilience and greenhouse gas emission reductions.

To effectively address climate risks in LAC, it is crucial that IFIs increase their commitment and financial support to projects and programs that promote environmental sustainability and climate change adaptation in the region. This will require greater collaboration between the public and private sectors, as well as an integrated and holistic approach to address climate challenges in LAC.

In the particular case of the European Investment Bank (EIB), as the European Union's climate finance institution, since 2021, it has decided that all new EIB Group operations will be aligned with the Paris Agreement. At the end of that year, it stopped supporting traditional fossil fuel energy projects. More than 50% of EIB financing will now go to climate action and environmental sustainability by 2025. In addition, the EIB Group will support EUR 1 trillion in investments for climate action and environmental sustainability by 2030. In LAC, since 1993, the EIB has financed projects for more than 12 billion euros in various sectors, such as: Energy (€5.3 billion), loans to intermediaries (€1.4 billion), transport (€1.9 billion), industry (€1.6 billion), water (€1.3 billion), and telecommunications (€1.6 billion). In 2023, 68% of financing to LAC was earmarked for environmental projects (Figure No. 14).

Figure No. 14: EIB Approved Loans for LAC, 2018-2023 (Millions of euros)



INFRASTRUCTURE AND URBAN DEVELOPMENT: PUBLIC-PRIVATE PARTNERSHIP

DFIs play a key role in mobilizing public and private equity for sustainable infrastructure, urban development and housing projects of high quality and relevance, in collaboration with key partners. In addition, they are responsible for the origination and design of quality projects, as well as their execution, ensuring their economic viability and long-term sustainability. This involves careful consideration of environmental and social aspects to ensure a positive impact on communities and the environment. National DFIs, with their in-depth knowledge of local markets, play a crucial role in identifying and financing projects that benefit local communities and foster economic and social integration.

Investment in sustainable infrastructure is a key driver for development and welfare, as it generates a significant impact on strategic sectors, causing a multiplier effect on the main economic variables: 1) Increased growth: Every dollar invested in infrastructure has a 1.5-fold multiplier effect on Gross Domestic Product (GDP) over five years[4]. In addition, an unexpected 1% increase in public investment can increase output by about 0.2% in the same year and 0.5% in the following 4 years[5]; 2) Increased productivity: A 1% reduction in transportation costs can generate an 8% increase in exports in LAC[6]; 3) Increased competitiveness: LAC, with US$23 billion per year, could reduce costs by at least half, promoting efficiency, climate resilience and renewable energies (energy sector)[7]; 4) Job creation: For every US$1 million invested[8], 36 thousand new jobs can be created; and, 5) Social Welfare: Examples such as the Cablebus CDMX project, which reduced travel times[9] by 60%, demonstrate how infrastructure can improve quality of life. Similarly, in Montevideo it was found that about 27% of low-income people walk because they have no other transportation option, compared to 5% of high-income people, highlighting the need for inclusive solutions.

Sustainable and inclusive infrastructure in LAC faces several challenges, which can be addressed by Development Banking (Figure No. 15). Its main role is to provide financing, technical assistance and support for national infrastructure development plans and strategies.

In order to achieve the proposed objectives, it is essential that the participation of Development Banking focus on directing private equity to sustainable infrastructure projects. The investment required in LAC to achieve the SDGs is US$2.2 trillion until 2030[10], which implies an annual investment in infrastructure of at least 3.12% of the region's GDP.

[4] ACTIS (2022). Latin America: Boosting The Region.
[5] FMI. Growth Impact of Public Investment and the Role of Infrastructure Governance.
[6] Lanau, S. (2017). The Growth Return Infrastructure in Latin America. IMF Working Paper.
[7] World Bank (2023). Optimizing spending, rather than increasing it, is key to improving infrastructure in Latin America and the Caribbean.
[8] ACTIS (2022). Latin America: Boosting The Region.
[9] Gender Assessment.
[10] BID (2023). New IDB study highlights role of public banks in mobilizing private equity for infrastructure projects.

In view of this situation, Development Banking must: 1) Address market failures that prevent greater investment in infrastructure; 2) Ensure that investments are aligned with the SDGs; 3) Offer local currency and longer-term financing to improve the financial viability of projects and attract private investment; 4) Mobilize private investment by reducing some of the factors that affect the private sector's perception of high risk with respect to infrastructure projects; 5) Implement standardized programs and use financial instruments aimed at reducing credit risk.

Figure No. 15: Challenges for Sustainable Infrastructure in LAC

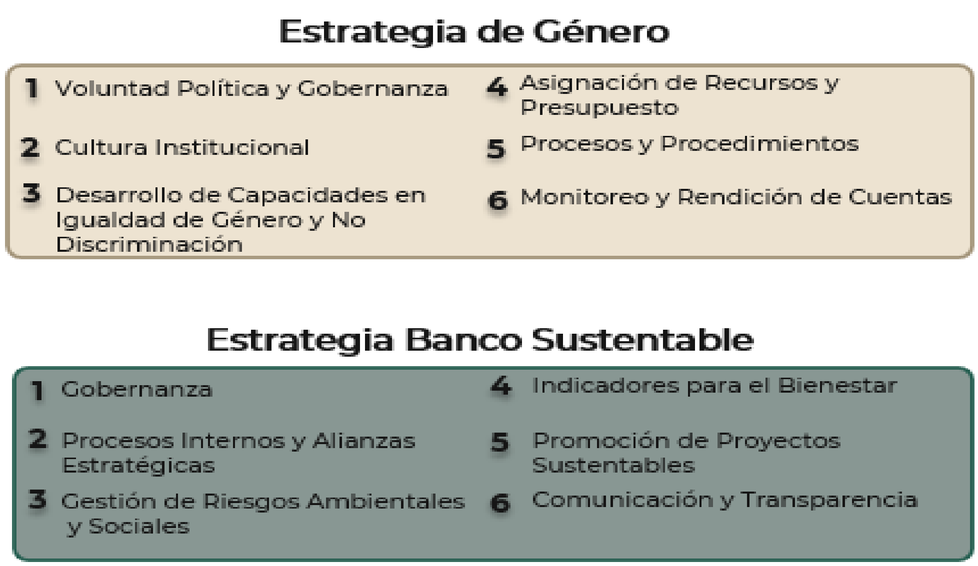
Source: Banobras.

Blended finance emerges as a solid alternative to address financial challenges, mitigate risks and incorporate sustainability and gender equity criteria in projects, which facilitates the development of resilient infrastructure with a wider territorial scope. These blended investments can come from three main sources: 1) States and municipalities: Financing through the contribution of subnational governments, such as state, municipal or provincial, to blended investment projects; 2) Projects: Financing for the development of sustainable and resilient infrastructure; 3) Special funds: For example, in Mexico there is the National Infrastructure Fund (FONADIN), designed to strengthen the financial structure of projects and make them more attractive to private investment.

In Mexico, **Banco Nacional de Obras y Servicios Públicos S.N.C. (Banobras)** carries out a **set of actions to encourage blended investment**: 1) Flexible Return Policy: offers preferential financial conditions for strategic sectors; and, 2) GCF accreditation: process for accessing resources that can be used for blended investment projects. There are also other facilities or instruments of this type available to Mexico and LAC countries, such as the Latin American and Caribbean Investment Facility (LACIF), which is the result of the merger of two previous facilities, the Latin American Investment Facility (LAIF) and the Caribbean Investment Facility (CIF). This regional mechanism for blended finance or blending is part of the tools of the European Fund for European Development Plus to operationalize the European Commission's Global Gateway strategy. LACIF's objective is to help LAC countries finance projects in key sectors for the achievement of the SDGs.

In order to advance in social and climate change matters, Banobras has a Sustainability Framework that allows it to contribute to the achievement of the objectives that Mexico has set for itself in: 1) Gender policy: Seeks to contribute to the achievement of Substantive Equality of women and men, integrating the gender perspective both in the Institutional Culture and in the management of credit operations; 2) Environmental and social policy: Integrates environmental, climate and social principles and guidelines in the institutional strategy, as well as in the management of credit operations, in its governance structure and internal processes. To achieve these objectives, it follows a gender and sustainable bank strategy (Figure No. 16). Banobras promotes sustainable and inclusive infrastructure through various products, achieving great achievements with these at the end of 2023 (Figure No. 17).

Figure No. 16: Strategies for Banobras' Sustainability Framework



Source: Banobras.

On the other hand, within the framework of its information policy on infrastructure investment opportunities in the country, Banobras operates the **Mexico Projects Platform, an initiative that concentrates, manages and publishes information on long-term infrastructure investment projects**, seeking to expand private financing alternatives, based on the applicable legislation. This platform: 1) Is aimed at investors, financiers, developers, consultants, service providers or material and equipment suppliers; 2) Is linked to public and multilateral entities, with 49 official sources of information.; 3) Has information on more than

600 projects as investment opportunities, including 142 new projects, 350 projects in operation and 108 investment vehicles; 4) Includes information from 7 sectors: transport, electricity, social infrastructure, hydrocarbons, water and environment, telecommunications, real estate and tourism; 5) Has more than 53,000 users, 91% domestic users and 9% foreign users, in addition to nearly 72,000 visits; e, 6) Integrates 204 sustainability sheets that provide information on the potential impact of projects and sectors on national and global development goals. This analysis relates the criteria for sustainable infrastructure and its contribution to the SDGs.

Figure No. 17: Achievements of Banobras (As of December 2023)

Source: Banobras.

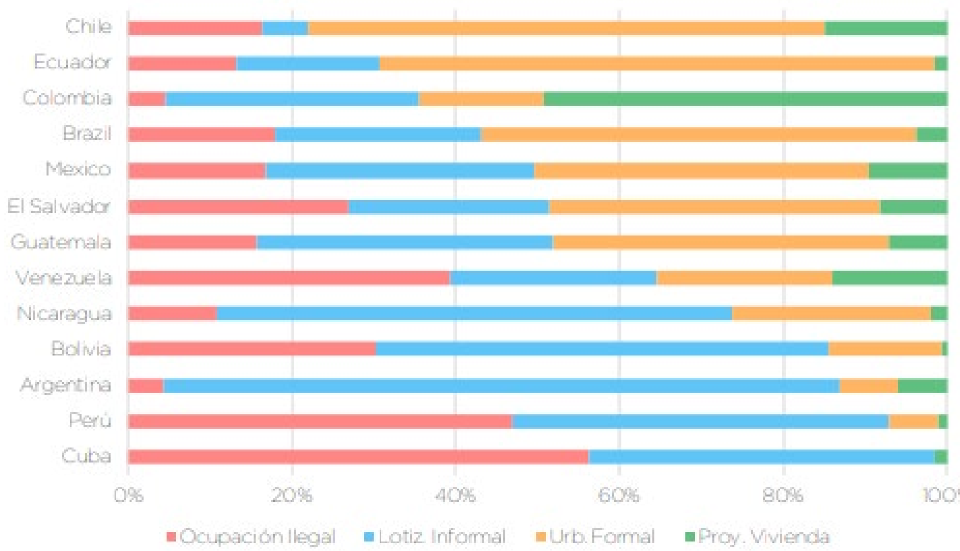
Based on the work it has been doing, Banobras has clearly assumed that **it is essential to continue with the innovation of financial schemes that consider the participation of Development Banking and the rest of the actors, in order to multiply the financing and impact of infrastructure projects**. Banobras acts as a catalyst to mobilize private investment in sustainable and inclusive infrastructure projects essential for the country's development.

Regarding the Public-Private Partnership (PPP), it is worth referring to the experience of **Banco Regional de Desenvolvimento do Extremo Sul (BRDE) of Brazil**, which in 2019 developed and put into operation the Regulations of the Program to Support Privatization Initiatives promoted in the bank's region of operation. This regulation provides for: 1) The creation of a revolving fund with an initial endowment from the bank's own resources for investments in privatization projects; 2) Incremental source of funds: amounts raised by contracting BRDE's specialized technical services; and, 3) The objective is to maintain the program of support for privatization initiatives and expand BRDE's capacity for projects. Following this objective, in 2023, BRDE created a specific team to prospect and carry out privatization projects in each of the three agencies under the direction of the Concessions and Public-Private Partnerships Steering Committee (CODAP). Currently, **BRDE's strategic planning for 2024-2028 aims to execute at least six PPP projects**, concessions and other forms of private participation in public services throughout 2024.

The first of these PPP projects, the DETRAN/PR Project, started in 2019, where BRDE provided specialized services for the complete structuring of the vehicle depot management, which includes the processes of removal, storage and preparation for auction of vehicles impounded by the Traffic Department of Paraná State (DETRAN-PR). The technical services were provided by the technical team of the Paraná Agency, which assumed all the costs of this project. The model conceived by BRDE and approved by the Paraná State was a public concession in two lots, with forty-four fixed yards distributed throughout the Paraná State. The project's rate of return is approximately 8.4% over 15 years of the concession, generating an accumulated contractual amount for the lots of R$324 million (US$65 million). For the State, the proposed model will generate savings of more than R$160 million (US$32 million) over the concession term.

In the case of Peru, where informal urban expansion is the second highest in LAC (Figure No. 18), **housing and urban development** is aggravated by the fact that 93% of the new urban land created since 2001 corresponds to informal housing developments, settlements that do not have complete urban conditioning. Informal occupations represent 47% and informal division into lots represent 46%. Formal housing developments represent 6% and social housing projects represent 1%. There are 1,8 million households in the country with a housing deficit, 500,000 of which correspond to the quantitative deficit and 1,3 million to the qualitative deficit[11], which increases every year by 140,000 homes. Developing formal housing is an urgent task, therefore, to close this quantitative gap in 10 years, 190,000 homes must be generated per year[12]. In view of this situation, **public-private cooperation is a fundamental axis in the search for housing solutions**. In Peru, a scheme is being followed in which funds, ministries, congress, governments, lending companies, real estate developers and financial institutions seek to address this housing shortage (Figure No. 19).

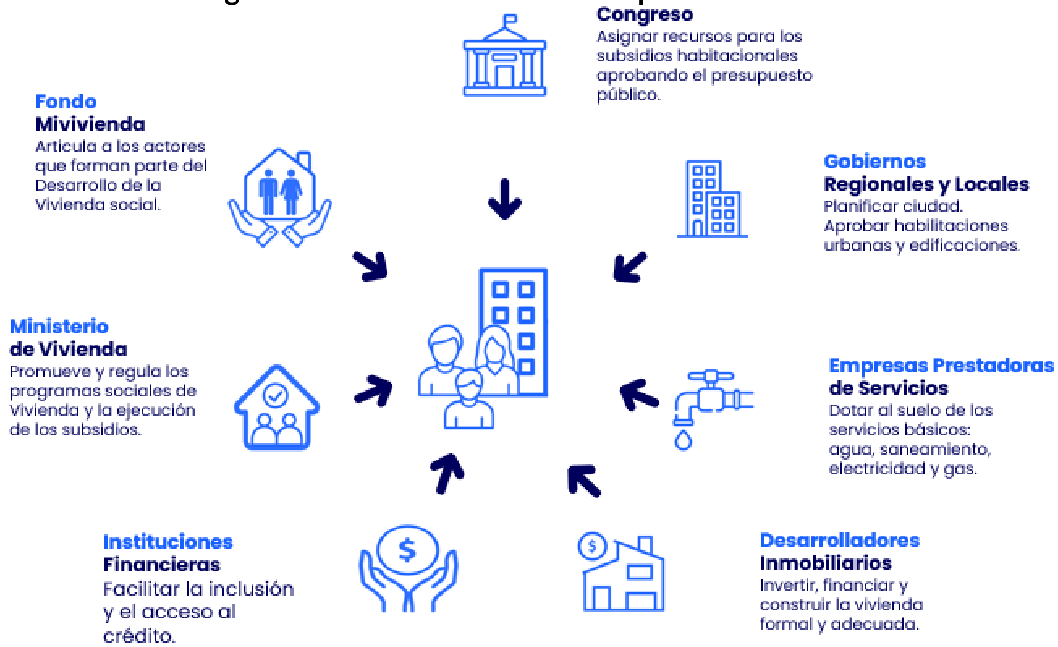
Figure No. 18: Magnitude of Informal Expansion in Latin America



Source: Grade (2020).

[11] INEI - National Survey of Budgetary Programs (ENAPRES). National Census 2017 and ENAHO 2021. MVCS estimate, based on ENAHO and Census. Preliminary Asociación de Empresas Inmobiliarias (Association of Real Estate Companies) (ASEI) – February 2024
[12] GRADE Study (2020). Criminal economies and their impact on Peru (2021).

Figure No. 19: Public-Private Cooperation Scheme



Source: Asociación de Empresas Inmobiliarias (ASEI) – February 2024

Fondo Mivivienda (FMV), a state-owned company under private law that operates as a wholesale bank with the social objective of promoting and financing the acquisition, improvement and construction of housing, mainly of social interest, plays a crucial role in housing solutions from the public sector. To this end, FMV participates in the primary and secondary mortgage loan market, offering financial products such as: 1) New Mivivienda Credit; 2) Techo Propio complementary financing; and 3) Credit Risk Coverage (Placements with IFI's own resources). In addition to these products, FMV administers subsidies such as Good Payer Bonus (BBP)[13] and Family Housing Bonus (BFH)[14] (Figure No. 20).

FMV's current BBB+ (Moody's) and BBB (Fitch Ratings) ratings, which imply a lower level of default risk, give it certain advantages for leveraging capital market funds. It also has S/3.5 billion (about US$946 million) in equity and access to sources of debt from local banks (Banco de la Nación and BBVA), international banks (J.P. Morgan and MIGA), extra-regional development banks (AFD and KfW), and multilateral organizations. The social housing market share of MIVIVIENDA credits represented 34% as of 2022. If the disbursed Techo Propio Program bonds are also included, its market share reaches 54% (Figure No. 21).

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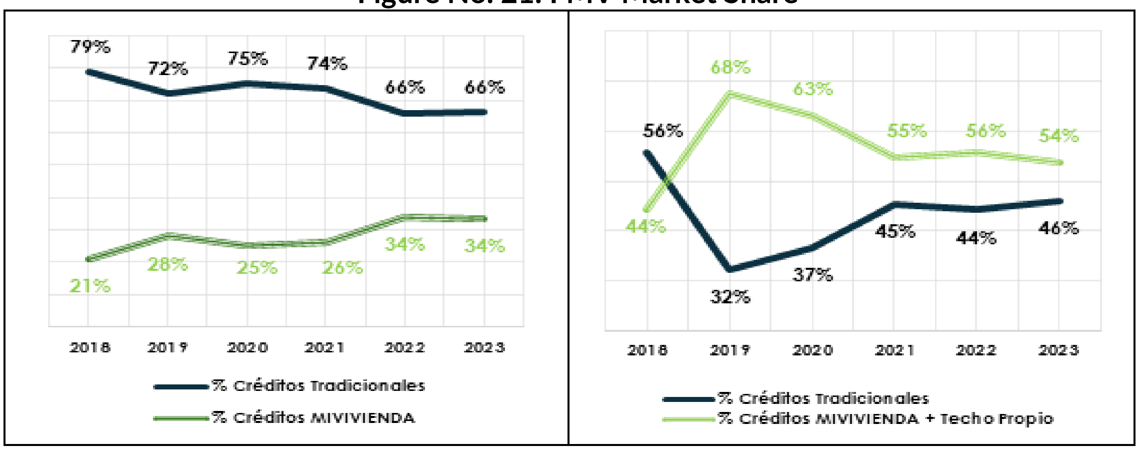
[13] Non-reimbursable financial assistance granted if a loan is acquired with the New Mivivienda Credit through financial intermediaries (IFIs). It allows to increase the down payment and obtain a lower loan amount. For sustainable housing, an additional 1.16279 UIT (Tax Unit, set for 2024 at S/5,150 soles (US$1,398.7)) or S/5,988.37 (US$ 1,626.4) is applied to the BBP for traditional housing. The value of the BBP is based on the value of the home in a phased manner.

[14] The amount of the bond differs according to the option chosen by the family: To purchase your home, the subsidy is S/44,805 (US$12,168.5). To build your home the bond can be S/30,900 (US$ 8,392.1).

Figure No. 20: FMV Products and Subsidies

Source: Fondo Mivivienda

Figure No. 21: FMV Market Share



Source: Fondo Mivivienda

Fondo Mivivienda, through the programs it offers, demonstrates that supporting housing with subsidy or stimulus programs is more than convenient for the country. This is due to the **multiplier effect of public subsidies**, which results in higher tax collection by the State and boosts real estate activity:

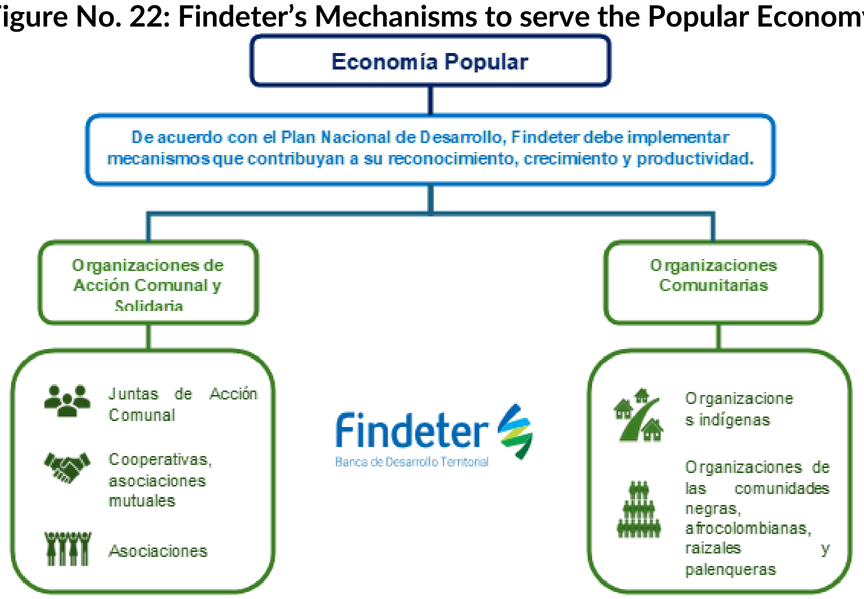
1) Mi Vivienda: Collection: the Public Treasury recovers 2.8 times the amount invested in the BBP; and real estate activity multiplies (sale of properties) according to the subsidy paid;
2) Techo Propio: Collection: the Public Treasury recovers 100% of the amount invested in the BFH; and real estate activity multiplies 1.5 times (sale of properties) according to the subsidy paid.

The Peruvian State, through Fondo Mivivienda, has contributed to improving the quality of life through access to housing for 726,487 Peruvian families. Until 2023, US$5,679 million have been invested in disbursed credits, and Mivivienda has achieved a 66% share in the financial sector that same year.

In Colombia, **Financiera de Desarrollo Territorial S.A. (Findeter),** hand in hand with the national government, helps to **promote sustainable regional and urban development in order to close gaps**, through: 1) Financing of projects at any stage of development; and, 2) Technical assistance for the planning, structuring, supervision and execution of projects, as well as resource management. Findeter focuses on generating a sustainable impact and strengthening administrative and management capacities in municipalities and districts in categories 3, 4, 5 and 6 (localities with less than 100,000 inhabitants and low income), through the financing of projects. Its objective is to provide equitable access to opportunities, goods and public services, reducing territorial and socioeconomic gaps that fragment the social fabric. In 2023, Findeter tripled the number of small and under-resourced municipalities that benefited, disbursing US$992 million for 670 projects nationwide. 44% of these financed projects benefit under-resourced municipalities.

In accordance with the National Development Plan, Findeter's mission is to implement mechanisms that make it possible to attend to the popular economy, contributing to its recognition, growth and productivity. These mechanisms include support to community action, solidarity and community organizations (Figure No. 22). Among the actions carried out by Findeter to serve this sector of the economy are: 1) Providing technical assistance for the implementation of projects with actors of the popular economy; 2) Promoting the financial inclusion of these actors through rediscount operations to acquire housing through savings and credit cooperatives and financial cooperatives. These operations are aimed at urban and rural projects related to social housing and priority housing; and 3) Offering alternatives to expedite projects that promote the development of the territories. For the latter, it has allocated US$178 million in 5 projects under execution and 2 in structuring, through a scheme of autonomous assets, made up of resources from the General Budget of the Nation, own resources of the territorial entity or resources advanced to the current fiscal year; which facilitates the disbursement of resources and reduces the execution time of strategic works.

Figure No. 22: Findeter's Mechanisms to serve the Popular Economy



Source: Findeter.

TECHNOLOGICAL DEVELOPMENT AND ITS CONTRIBUTION TO THE IMPROVEMENT OF VALUE CHAINS TO BOOST TRADE

Technological progress plays a crucial role in optimizing trade chains in the modern era. The implementation of innovative technologies, such as process automation, the Internet of Things (IoT) and artificial intelligence, is revolutionizing the way supply chains and trade are managed and operated. These innovations enable greater visibility and traceability of products, improving efficiency and reducing risks throughout the chain. Technological development not only benefits large enterprises, but also provides opportunities for SMEs to integrate into broader trade chains. Collaboration and system interoperability are essential in this context, and investment in technology has become an important driver of business competitiveness in the global economy.

Global trade has undergone numerous changes, especially after the pandemic, driven by a number of factors that have acted as catalysts. One of them is technological progress, which has led to an increase in trade through electronic platforms. Prior to the pandemic, retail trade through these platforms represented approximately 10-12% of retail trade, according to the United Nations Conference on Trade and Development (UNCTAD); currently, this percentage is around 24%. These platforms have helped to streamline and facilitate access to trade, enabling SMEs, for example, to connect more easily to global value chains thanks to technology and digital infrastructure. It is therefore crucial that development banks consider, along with the physical infrastructure to facilitate trade, all aspects related to the digital infrastructure.

Other factors that have influenced global trade are geopolitical events, which have led large countries to relocate part of their production centers to other locations. In the case of Latin America and the Caribbean, the relocation of companies to countries such as Mexico has been significant, but the relocation of operations of American companies from China to countries such as Thailand and Vietnam has also been observed.

It is clear that in order to boost international trade in the region, it is necessary to reduce distances and costs, which can be achieved through greater investment in a variety of infrastructure, such as transportation, energy and digital infrastructure, among others. In addition, it is essential to address regulatory issues that enhance trade and further integrate the region. In this regard, **technology plays an integral role in trade facilitation and the development of regional value chains**.

To achieve this goal, technologies such as blockchain have emerged as an opportunity to reduce logistics and production costs, connect companies with international markets, and reduce the cost of financing. With the digitization of assets, blockchain is finding more and more applications in various banking activities, tokenization being one of them. This system is opening the doors to a wide range of possibilities, ranging from automation and elimination of intermediaries to improved transparency, liquidity and asset mobilization. In particular, the blockchain enables more agile access to alternative financing for SMEs, facilitating their connection to large enterprises and their supply chains.

Although these advanced technologies are very valuable to incorporate in the development of productive activities, **the first thing to know, prior to the design of financial products and services, is the profile of the beneficiaries or clients of DFIs.** This will make it possible to tailor the product offering to their specific needs. In addition, it is important to provide them with guidance, technical assistance and the necessary incentives to adopt the technologies best suited to their needs. This will not only help them grow, but will also help them advance their integration into the entrepreneurial ecosystem.

It is important to recognize the fundamental role that technology transfer plays in maintaining the competitiveness and productivity of emerging economies, which are seeking to move towards a model based on innovation. Therefore, it is necessary to strengthen the domestic economy and take advantage of trade agreements to attract investment and develop productive infrastructure. The importance of financing innovation and technological renovation projects is highlighted, as well as the importance of promoting local supply to integrate SMEs into value chains. One of the main ways to start stimulating these innovation processes is through technological development, by means of cluster formation. In this regard, countries such as Mexico already have some, such as in the automotive sector. Some actions in this country are related to the financing of industrial buildings and the promotion of certification and continuous training of local suppliers. In addition, it is always important to address the challenge of investing in human capital to face the changes and take advantage of the opportunities brought about by technological transformation.

The role of the Development Banking in supporting the productive fabric of LAC countries and their efficient insertion into global chains involves financing the adoption of technology, considering the international context and taking advantage of the opportunities arising from the relocation process, as well as promoting improvements in physical and digital infrastructure.

On the road to international insertion, regional integration is an important option for companies to increase the flow of trade in goods and services, and to promote a higher level of productivity and well-being through several channels. First, by expanding production beyond the limits of domestic markets, which is strengthened by integration into global value chains, which also drive the transmission of technology and knowledge and facilitate access. In addition, greater competition is encouraged among companies within the economy and between them and external suppliers.

A greater insertion of trade flows not only benefits companies and sectors involved in tradable trade, but also those that produce non-tradable goods and services, which represents a positive externality. We must not forget that most of the countries in the region are relatively small economies, so international trade continues to be a very important factor in expanding production and promoting productivity gains that will ensure higher growth. Despite policies implemented that have significantly reduced tariffs, increases in exports have been moderate, as have changes in share in global trade. The question is why is this happening? One reason behind this stagnation is the high costs and low level of intra-regional trade, which is partly due to the very low participation of LAC in regional value chains and the distances between economies. Reversing this is only possible with greater investment in transportation infrastructure, energy, digital infrastructure, improved regulation, etc., which will help boost trade and further integrate the region.

Figure No. 23: Exports, Imports and Total Trade (% of GDP)

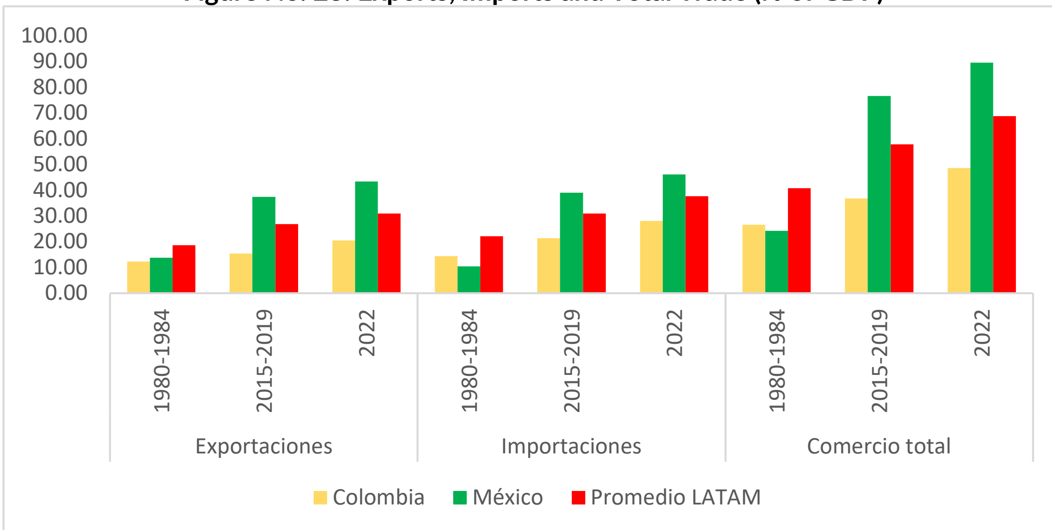
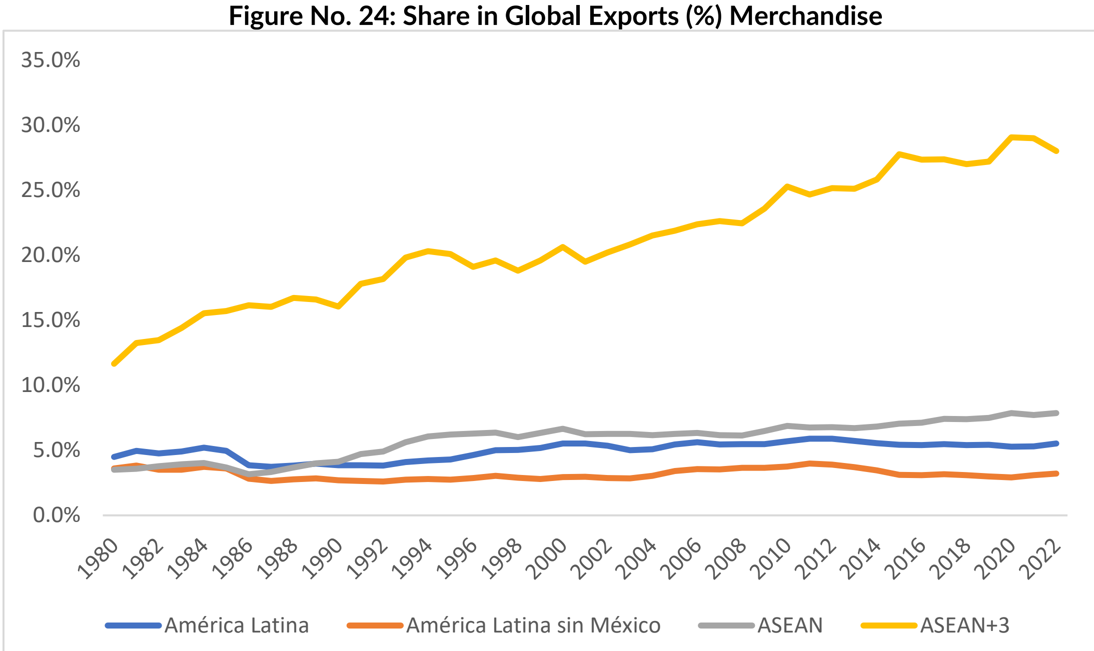


Figure No. 24: Share in Global Exports (%) Merchandise



Global Value Chains (GVCs) have an important regional component. Their magnitude, while partly dependent on the level of GDP of the economies, also reflects the level of trade openness of the countries and regional blocs. From this perspective, it is clear that Europe is a region that is very open to trade, followed by Asia and then North America, driven by its Free Trade Agreement. However, in the South American subregion and in LAC in general, even in very open subregions such as the Pacific Alliance, there is a low level of productive integration at the regional level.

So how can trade be facilitated and these restrictions overcome? One measure is to act on the network of rules, procedures and regulations associated with customs procedures of various types, such as the provision of documentation, supporting information on operations, certifications, etc. Compliance with these regulations becomes more cumbersome when they differ from one jurisdiction to another, which creates obstacles, especially for SMEs entering the international market. Therefore, it is necessary to work towards greater trade facilitation.

Figure No. 25: Costs of a Standard International Trade Transaction, 2021

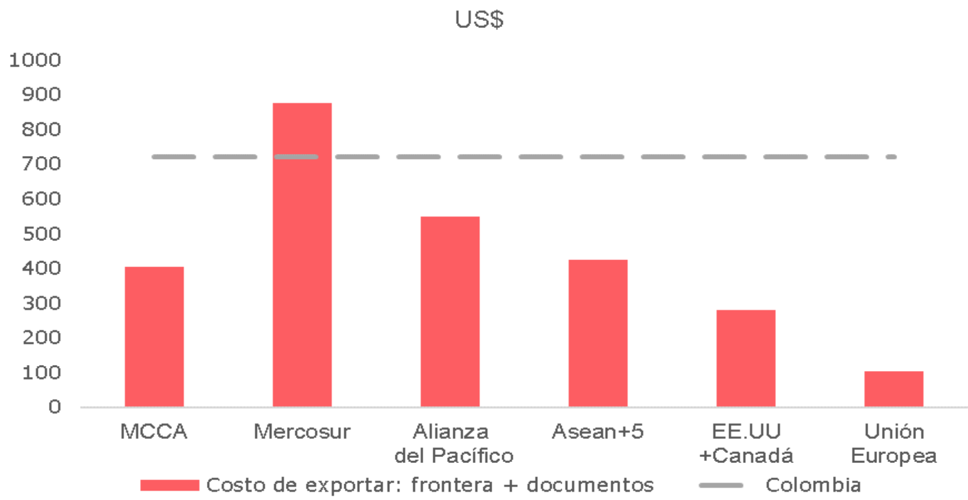
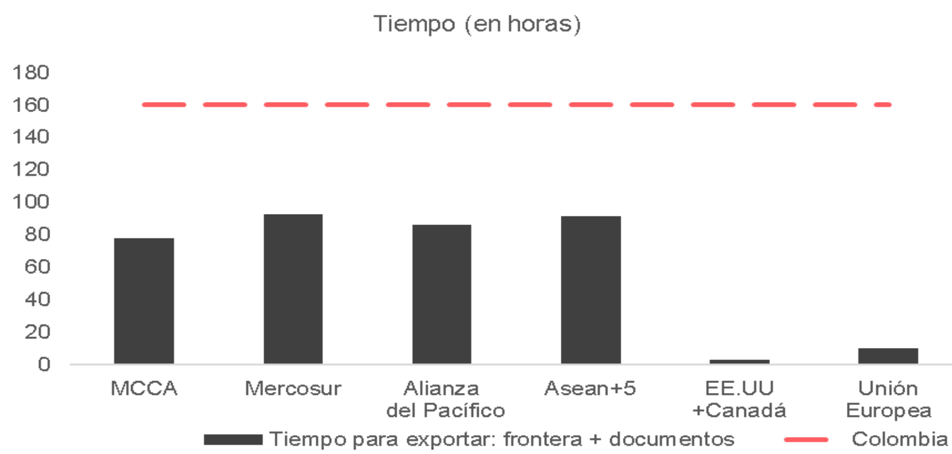


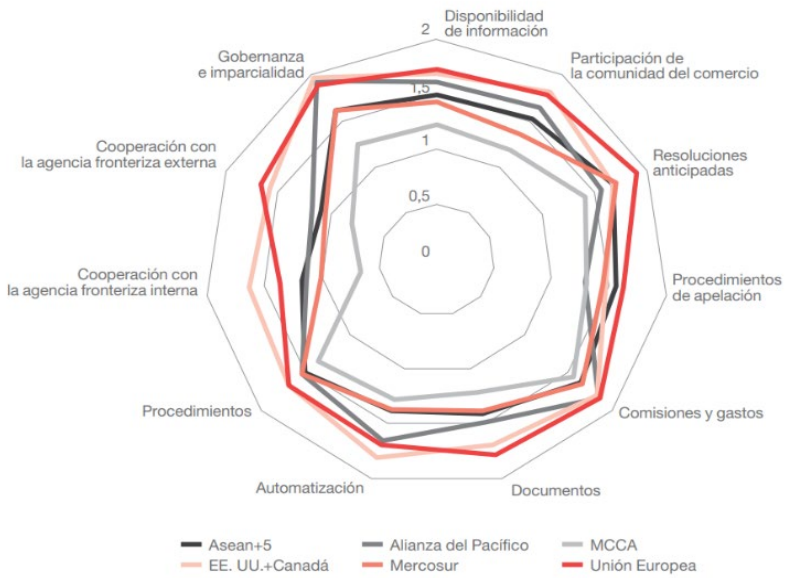
Figure No. 26: Time (in hours)



In the last decade, **trade facilitation has become more relevant and central to global and regional discussions on how to promote international trade**. As tariffs are low, these formalities and regulations become more important in the total costs of trade, and this is where barriers to trade arise at the regional level. Therefore, it is necessary to eliminate these restrictions, reduce time and cost. Although they affect all local flows of goods and services, they may be more relevant in those cases involving regional or global value chains, where the production of a good is fragmented in plants located in different countries.

This can also be visualized by comparing the trade facilitation index developed by the Organization for Economic Cooperation and Development (OECD), which is based on several indicators[15] to evaluate trade facilitation policies. When looking at the results among developed countries and those in the region, it is clear that there is a long way to go. When we analyze the components of the different trade facilitation initiatives, such as the single windows for foreign trade and the integrated procedures at border crossings, **they all share a common denominator: digitization of processes and the use of technology. Technology plays a key role in trade facilitation** by improving efficiency, accessibility, security and transactions both locally and internationally. This is achieved through real-time communication, streamlining of business processes and automation of e-commerce platforms. In this regard, there is still ample room for improvement in Latin America and the Caribbean (LAC) in this area of the agenda.

Figure No. 27: OECD Trade Facilitation Index (TFI)



[15] 1) Availability of information: Publication of trade information; information services available. 2) Involvement of the trade community: Consultations with trade operators. 3) Advance rulings: Statements by the administration issued in response to questions raised by operators on issues of classification, origin, method of valuation, etc., applied to specific goods at the time of importation; standards and procedures applied in connection with such statements. 4) Appeal procedures: Against administrative decisions made by border agencies. 5) Duties and charges: Taxes and tariffs applicable to imports and exports. 6) Simplification of trade documents; harmonization in accordance with international standards; acceptance of copies. 7) Automated Procedures: Electronic data interchange; automated border procedures; implementation of risk management. 8) Procedural formalities: Streamlining of border controls; establishment of single windows; post-clearance audit; recognition of authorized economic operators. 9) Cooperation among the different agencies of the country operating at the borders; delegation of control to the customs authorities. 10) Cooperation with neighboring countries and trading partners. 11) Governance and Fairness: Customs structures and functions; accountability; ethical policies.

In response to this problem, CAF – Development Bank of Latin America and the Caribbean[16] has made a trade facilitation tool available to countries in the region, which is already being applied in Bolivia, Colombia and Mexico. This tool basically gathers information from the territory to identify priorities, bottlenecks or parts of the process that operate inefficiently or at a low level of productivity. Subsequently, it prepares data sheets in order to develop a roadmap and implement policies to improve the situation.

CAF has also launched a project on digital transformation of production chains in Ecuador. This project focuses mainly on developing roadmaps for digital transformation in the textile, leather apparel, footwear and logistics industry chains. The idea is to consider the digitization needs and design an implementation framework to solve these critical issues.

In addition, using the trade facilitation tool, CAF prepared roadmaps that help them identify a series of bottlenecks along the chain. For example, in the case of Peru, one of the studies revealed very significant potential improvements. For example, if road improvements were made to increase the average speed of trucks to 90 km/h, instead of the current 30 km/h, this would represent a considerable progress. In reality, with small improvements, significant results can be achieved. These types of roadmaps and diagnostics also serve to formulate implementable proposals and contribute to government management.

Also, CAF is currently carrying out non-reimbursable technical cooperation for the Pacific Alliance, conducting a comprehensive analysis of the existing challenges, with the objective of proposing improvements in trade facilitation. It is therefore essential to make the necessary efforts to reduce the costs associated with customs and border formalities, which is an issue of great importance. It is also working on improving the regulatory framework, adopting both domestic and regional regulations, such as rules of origin and incentives for foreign investment, in order to promote productive integration among economies. This can stimulate the participation of companies in value chains, as evidenced in other regions of the world.

Although Latin American and Caribbean countries have reduced tariff barriers, there are still costs associated with customs, airports, border posts and other bureaucratic aspects that must be addressed through public policies. This is where trade facilitation becomes more relevant in trade policy. These measures are essential for dynamic participation in global and regional value chains. In addition, they offer innovative tools related to the use of technology and digitization to carry out foreign trade operations efficiently and economically. On the other hand, continuity in trade facilitation, infrastructure and logistics policies, as well as productive integration policies, is key to achieving the desired results. These policies must be

[16] CAF is a development bank made up of 21 shareholder countries until 2023. In 2022, these countries approved a capital increase of US$7 billion, which is expected to double their portfolio by 2030. CAF offers a series of products and services, both in terms of financing and knowledge, including non-reimbursable technical assistance for policy design and implementation, preparation of roadmaps and pre-investment studies, among others. In its more than 53 years of history, CAF has placed more than US$200 billion and in the last 25 years has financed approximately 96 projects for a total of US$32.9 billion. In this way, it has contributed to the region's development, focusing on two main pillars: sustainable development and regional integration.

maintained over time and it is necessary to generate information systems that allow them to be permanently evaluated. For this reason, regional organizations such as CAF propose an agenda that promotes regional integration in a comprehensive manner, with elements that facilitate trade, improve transportation infrastructure, promote interconnection and digital transformation.

The so-called financing gap is not really the absence of funds, but rather the difficulty in connecting the financial ecosystem. Although we understand the concept and definition of supply chain finance in its entirety, the complexity increases when we delve into the details. While it is relatively easy for companies to invest in the first levels of the supply chain, it becomes more difficult as we move further down the supply chain. Factors such as Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations, as well as the ability of SMEs to generate the types of reports needed and to manage resources, complicate the process.

When we talk about an ecosystem, it is important to emphasize that this concept goes beyond a simple list of financial institutions. A true financial ecosystem materializes when these institutions are interconnected and have the ability to transact with each other, sharing risks and opportunities. This is crucial given that supply channels transcend national borders. For example, when a project is financed from the United States, Ecuador or Colombia, there is the possibility of connecting different banks and financing providers, facilitating the exchange of information and risk management, including aspects such as AML and KYC. However, there are currently limitations in terms of processes, costs, reporting and data gaps that need to be addressed and which are very much linked to Blended Finance. This concept goes beyond risk management. It is applied to overcome traditional financing barriers, especially in the supply chain, improving transparency, efficiency and reducing costs. This involves working together to solve challenges and take advantage of opportunities in the supply chain.

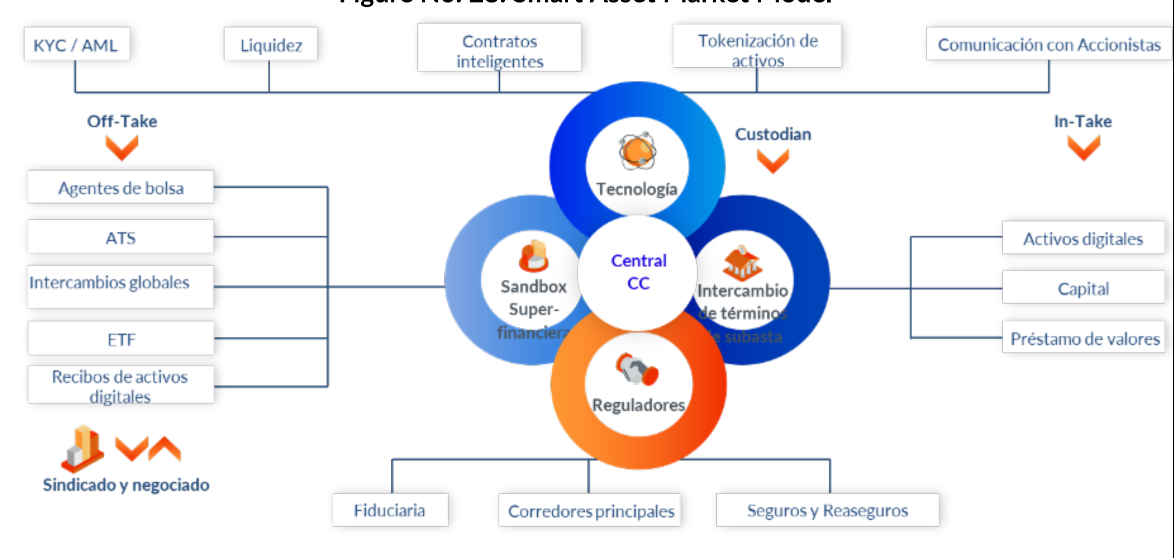
In an Asian Development Bank (ADB) survey, 76% of banks surveyed identified the cost and complexity of complying with anti-AML requirements and KYC controls as the main barriers to expanding their business and financial operations in the value chain. Currently, the approval of value chain finance applications is manual and complex, resulting in the approval of only the best known applicants, and MSMEs applications remain unattended.

The financing or mobilization of resources in the financial and capital markets cannot be done in the old or traditional way. Stock exchanges of London, South Korea and Luxembourg are already beginning their digitization and tokenization process, with this you could buy an asset in any market and in any LAC country when it is in digital mode, a token, and then you can make a transfer or payment, that is, trading on the same day or within a few hours; but if you don't have that operational capacity, it is impossible to do it at the moment. Sometimes when we talk about blockchain, people think it is very complicated, in reality we talk about interoperability in the region and it is a bit like SWIFT, the system that is being used today, it is not necessary to think about it, the countries and their financial institutions are already connected through the same system. The vision that is being considered for the region, from some organizations, is how to connect public banks in a region that needs interoperability and generate more interest also for investors to enter the regional market.

As we have noted in the recent past, the COVID-19 epidemic led global treasurers to turn more to trade finance processes to gain quick access to operating capital for both themselves and their suppliers. However, manual processing and a rudimentary framework in the current trade finance system increase risks and costs. This calls for a transformation based on **trust**, including greater **transparency** on usage, costs and benefits, as well as collaboration between banks and, more broadly, between regions. In addition, the **time** needed to make this transformation and the inclusion of regional financial institutions such as the IDB, CD and CABEI are crucial aspects for trade finance to cover the entire Latin American and Caribbean region. This implies the creation of a digital and regulated alternative market for smart assets, and represents a solution for LAC Public Banking.

Last year, the supply-demand gap in trade finance amounted to US$1,5 trillion, and is expected to exceed US$2,4 trillion by 2025: 1) Lack of Transparency: Limited visibility not only generates more than 25,000 Supply Chain Finance (SCF) disputes each year, with US$100 million tied up at any given time, but also hinders the collection of receivables for the parent company; 2) Fraud Risk: Fraudulent trade finance and supply chain agreements affect SCF, as evidenced by the $10 billion worth of fraudulent agreements discovered; and, 3) Interoperability: Blockchain-based supply chain finance platforms can revolutionize the way banks manage their cash flow and working capital by providing real-time settlement, increased visibility and access to alternative financing options.

Figure No. 28: Smart Asset Market Model



Thus, based on two years of consultation and work with public development banks, multilateral development banks, investors and capital market regulators, teams of experts from the private sector have been working on the approval of regulated blockchain solutions that would help connect more than 526 public development banks in emerging markets. This is based on the fact that the future lies in tokenization, which is transforming the way investors and companies interact with assets. By converting physical or digital assets into blockchain tokens, tokenization provides new opportunities for investment and business growth. This process allows assets to be divided into smaller fractions, making it easier for investors to diversify their portfolios and access previously illiquid markets. This market is experiencing exponential growth, as per the digital asset management market analysis, it is estimated at US$5,27 billion in 2024 and is expected to reach US$10,69 billion by 2029, at a compound annual growth rate of 15.22% during the forecast period of 2024-2029.

The barriers and challenges of traditional financing lie in: 1) **Environmental and social responsibility:** Lack of knowledge or data to assess and measure social and environmental impact represents a major barrier in the implementation of sustainability; 2) Some **data** missing**:** Obtaining key data needed to develop the discounted cash flow of a supply chain resilience investment is difficult and often inaccurate. A major challenge is accessing high-quality TTR data[17], which requires detailed analysis of each supplier, not just the main or direct suppliers (also known as Tier 1). This task becomes impractical when a company has hundreds or thousands of suppliers in its network; 3) **Collateral constraints:** Lack of adequate collateral, limited credit history, complex documentation requirements and the perception of risk by financial institutions can hinder MSMEs from obtaining the necessary financing for their international trade operations; and, 4) **Risk appetite** of supply chain stakeholders: Depending on the supply chain finance technique applied, the opportunity to support the value chain may be constrained by various risk considerations.

Traditionally, supply chain finance has focused primarily on first-tier or direct suppliers, leaving smaller suppliers with limited access to affordable financing. The modern evolution towards deep-tier supply chain finance seeks to provide financial solutions and optimize processes for companies operating at deeper tiers of the supply chain, often at tiers two or three[18].

Blockchain-driven supply chain finance offers the possibility of streamlining the flow of information and achieving synchronization of material, information and financial flows.

[17] TTR Data is a robust and intuitive platform that delivers unparalleled transactional data and actionable intelligence across entities based in Latin America and the Iberian market. In addition to providing this valuable information, TTR Data also tracks mergers and acquisitions, private equity, venture capital, capital markets, and comprehensive corporate information.
[18] Tier 2 suppliers are responsible for manufacturing the parts required for the components produced by Tier 1. To achieve this, Tier 2 suppliers use raw materials supplied by Tier 3 suppliers, with which they are closely linked.

Appropriate operational strategies and practices can be improved through cooperation that combines competition and collaboration to leverage shared resources. This brings a number of benefits, such as transparency, increased efficiency and cost savings, improved stakeholder collaboration, impact tracking for reporting, reduced risk of fraud, democratization of access to finance, and a simplified portfolio.

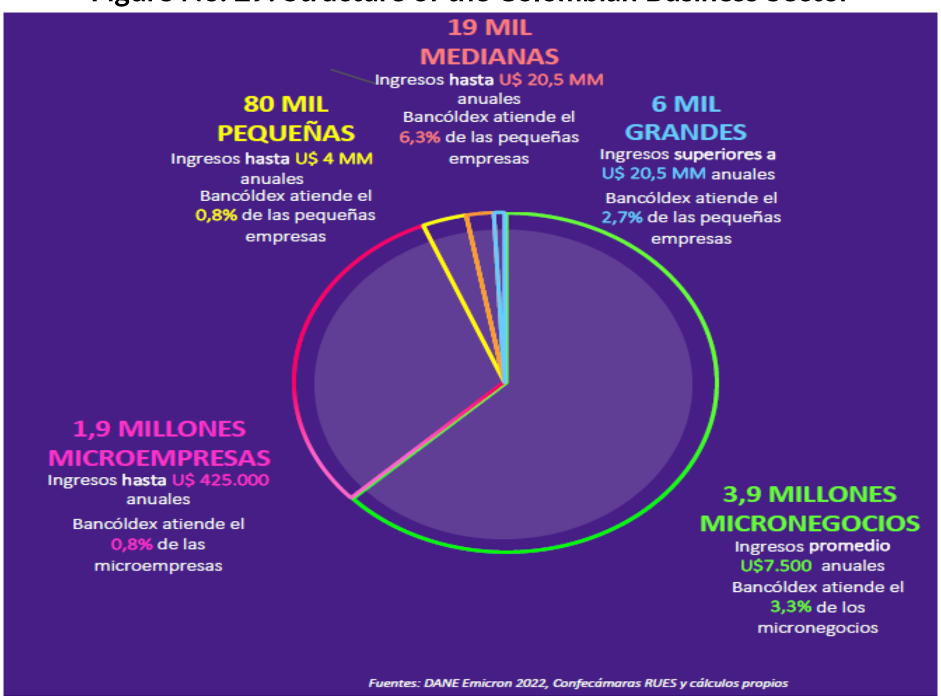
A digital, regulated alternative market with smart contracts and compliance automation represents a viable alternative for supply chain finance. Blockchain has the potential to democratize this financing and facilitate interoperability and standardization among different blockchain networks. In terms of **financing:** when companies share inventory, information and financial flows through a blockchain, they can gain significant benefits in terms of supply chain finance, contracting and business expansion internationally. Banks providing working capital and trade credit to companies face the well-known challenge of information asymmetry with respect to a borrowing company's business, the quality of its assets and liabilities. In terms of **efficiency**, there is considerable room for improvement in supply chains in terms of end-to-end traceability, speed of product delivery, coordination and financing. Now is the time for companies on the sidelines to evaluate blockchain's potential for their businesses. They should join efforts to develop new rules, experiment with different technologies, conduct pilot tests with different blockchain platforms and build an ecosystem with other companies. **Counterfeit:** Another area of opportunity is cross-border trade, which involves manual processes, physical documents, many intermediaries and multiple controls and verifications at ports of entry and exit. Transactions are slow, costly and have little visibility into the status of shipments. By connecting inventory, information and financial flows and sharing them with all transacting parties, a blockchain allows companies to reconcile purchase orders, invoices and payments much more easily and track the progress of a transaction with counterparts.

The platform has the ability to search for information, perform data mining and also push data, that is, not only extract data, but also provide it in the supply chain. What is being considered here is alternative financing for SMEs, making it much more agile through blockchain, connecting large companies, known as anchor companies, with their supply chain for financing. Reporting will be crucial because if LAC cannot fulfill orders quickly, it will not be able to sell its products in Europe or other regions. Therefore, connecting the supply chain is essential, but doing it the traditional way is not easy. The smart asset market model being developed in the region is similar to the service offered on a stock exchange, but accessible directly from the phone. Through this platform, financing can be accessed, and everything depends on the interoperability among the different financing actors.

In Colombia, Bancoldex, as a business development bank that focuses especially on supporting MSMEs with a variety of financial and non-financial services, believes that it is crucial to provide them with tools that allow them to insert themselves into global value chains, both inside and outside the country. This allows them to be relevant in the international arena and contribute to the sustainable development of the country, acting as an instrument of public policy. Bancoldex grants various types of credit, including rediscount credit and direct credit, as well as guarantees. Rediscount credit is offered through the financial system in general, while direct credit is offered through a direct window. Loans to MSMEs and large enterprises are channeled through financial partners as an effective way to distribute credit and reach all regions of the country. In addition, Bancoldex offers equity investment funds and provides technical assistance to strengthen business development.

At Bancoldex, they believe that in order to help SMEs compete, the first thing to do is to understand the national business context in which they are operating. In the case of Colombia, for example, the business sector has not yet reached an advanced level of sophistication. Of the 6 million enterprises in the country, 1.9 trillion are microenterprises and 3.9 million are microbusinesses, very small enterprises that often lack knowledge of how to use tools such as websites, social media or electronic banking (Figure No. 29). Therefore, a financial institution such as Bancoldex needs to understand the specific needs of small, medium and large enterprises, as well as identify how they can adopt technologies such as blockchain. Large enterprises, for example, have a different structure and may be more capable of adopting advanced technologies such as blockchain. Therefore, Bancoldex's first step was to understand who its customers are and what needs they have.

Figure No. 29: Structure of the Colombian Business Sector



Sources: DANE Emicron 2022, Confecámaras RUES and own calculations

The challenge facing Colombia is that, on average, only 23% of MSMEs use financing resources for investments such as the purchase of machinery or digitization, while the majority focus on using working capital. This suggests a lack of awareness of the importance of investment, as working capital is mainly used for other purposes (Figure No. 30). Regarding digital services, it is observed that, on average, 39% of MSMEs have a website, but they do not use it to sell, but simply to provide information. In addition, there is a disconnect between the tools available to MSMEs and their effective use. For example, an average of 33% of MSMEs have not used electronic banking services, either because they do not know how to do so or because they do not consider it necessary (Figure No. 31).

Figure No. 30: Destination of Financing in MSMEs

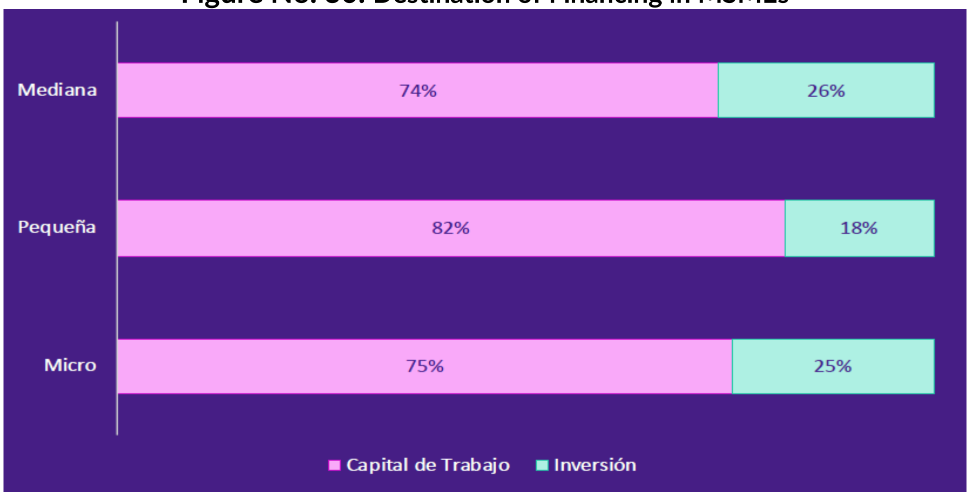


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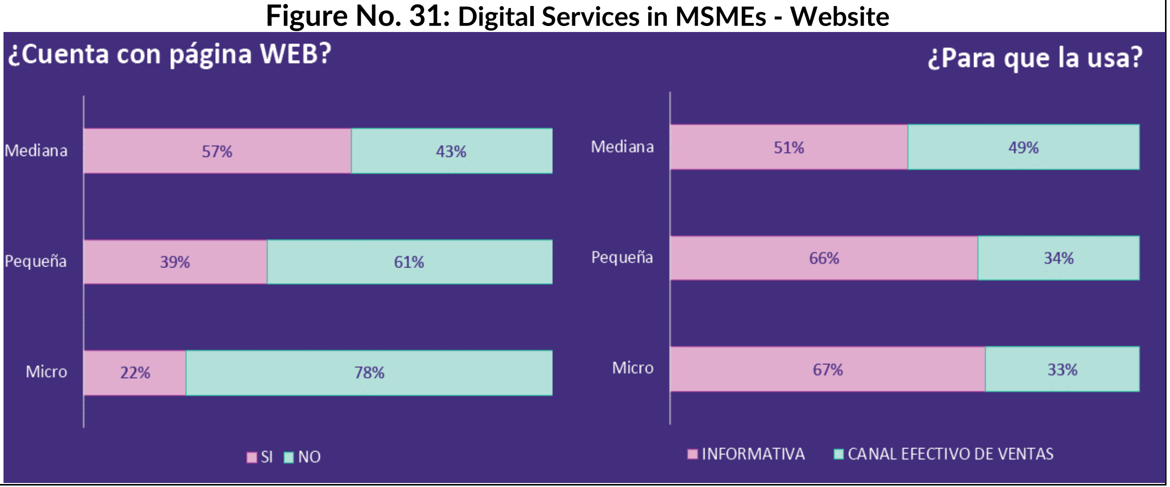
Figure No. 31: Digital Services in MSMEs - Website



As for the use of digital sales services, only 32% on average of companies have made use of these services, but a significant percentage have not used them again, either because they consider they do not need them or because they do not know how to use them. This reflects a need for education and support for companies to adopt this type of more advanced tools (Figure No. 32). In the case of larger enterprises, including medium-large ones, the situation is also remarkable. 55% of these enterprises are in the process of digital transformation, of which half (34%) already have digitized processes. However, only 5% of them do not use disruptive or emerging technologies, while 63% still perform their processes manually. In addition, 48% of these enterprises do not have a formally established governance to establish digital transformation strategies, and 56% do not use disruptive or emerging technologies. On the other hand, 34% of these enterprises have already digitalized their processes, 19% have automated them and 47.4% of MSMEs' investments were allocated to technological transformation (Figure No. 33).

Figure No. 32: Digital Services in MSMEs - Electronic Banking

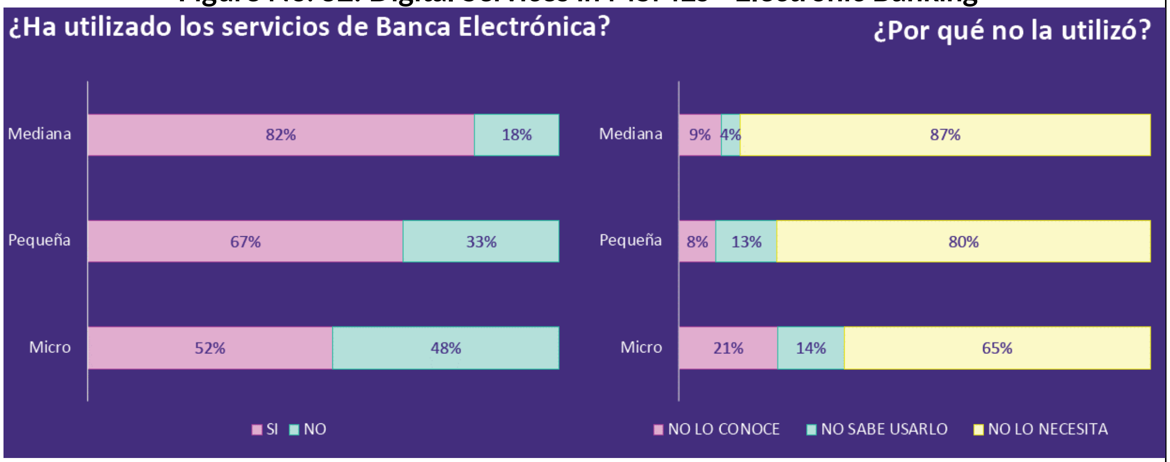


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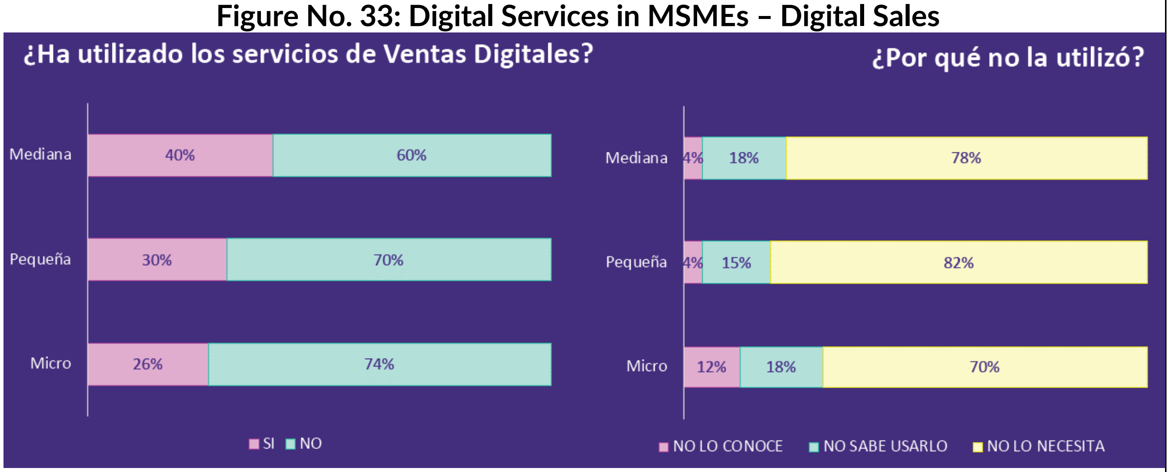
Figure No. 33: Digital Services in MSMEs – Digital Sales



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In general, it is important to provide support to enterprises, but it is also crucial to design appropriate financial products that meet their needs. In Colombia, Bancoldex faces this challenge. In 2023, it provided US$500 million for business modernization projects, benefiting approximately 16,000 entrepreneurs. These funds were used to finance improvements in facilities, purchase of machinery and equipment related to sustainability projects. However, this represents only a portion of Bancoldex's portfolio. Business modernization encompasses broader aspects that go beyond digitization, such as artificial intelligence and other elements essential for enterprises to integrate more effectively into international value chains. To this end, Bancoldex designed more adapted and quickly applicable financial products specifically for MSMEs. In 2023, seven lines of technological transformation were created with a total available amount of US$26 million. This initiative allowed them to acquire a great deal of experience and knowledge to offer this type of financing in a more effective and scalable manner.

The first thing they understood is that it is necessary to talk to micro and small enterprises about innovation and productive transformation. They should be encouraged to purchase or update their software, acquire computers, digitize or automate processes, design websites and use e-commerce as a means to increase their sales. With this objective in mind, Bancoldex designed very specific and focused lines of financing in collaboration with strategic partners, as in the particular case of the Mayor's Office of Bogotá. This collaboration made it possible to offer financing under more favorable conditions in terms of interest rates, deadlines and grace periods, in order to encourage entrepreneurs to make this type of investment. In the first stage, US$10 million was disbursed, benefiting 170,000 SMEs, a figure considerably higher than the 16,000 enterprises that received financing for modernization. However, they face a considerable challenge, as most companies have requested funds for the purchase or upgrade of software, computer equipment, website design and e-commerce. They have not yet requested financing for more advanced technologies such as artificial intelligence, robotization, big data, cloud management, data management or digitization, virtualization and process automation. This is mainly due to the fact that many enterprises are not aware of the need to adopt these technologies. It is therefore essential to provide adequate support, especially to smaller enterprises, which tend to need more assistance in this regard.

Another lesson Bancoldex learned from its experiences is implementing performance-based awards or subsidies on interest rates. This incentive mechanism is highly effective, as it creates an incentive for enterprises to return to the bank after one year. If the bank observes that the company has increased its sales, exports and is experiencing double-digit growth, it is offered a more favorable interest rate on its next financing. For this reason, third party contributions and alliances made by the bank are so necessary to develop more attractive products, which motivates entrepreneurs to take this financing not only for working capital, but also for investments in the specific lines designed for these purposes.

The increasingly changing and complex international environment is forcing companies to prepare themselves adequately. Among the various factors influencing global dynamics, technological progress is one of the most relevant. This process of technological diffusion and innovation represents both a challenge and an opportunity for companies. It is one of the major advantages of globalization, and many emerging economies have benefited from it, increasing their productivity and improving their competitiveness.

To face these ongoing changes, Mexico's development finance institutions, such as Nacional Financiera (Nafin) and Banco Nacional de Comercio Exterior (Bancomext), have been preparing. Their objective is to prevent the process of technology transfer from being interrupted and to ensure that the country does not limit itself to being simply a maquila factory or an exporter of natural resources. Instead, they seek to take advantage of the opportunities provided by this transition. In Mexico, these institutions have been leveraging and enhancing all their advantages to guarantee that this process continues. They have been active in attracting investment to boost the country's productivity through innovation. The objective is to generate local and regional production chains that contribute to sustainable economic growth. Mexico is also developing strategies related to local supply to increase value-added exports. This involves encouraging the participation of local suppliers in supply chains, which can benefit both companies and the economy as a whole.

The main factor in attracting investment is to have a sound economy. In the case of Mexico, the main engine of growth is its domestic market, especially in the consumer sectors. In addition, there has been a significant increase in both public and private investment, reaching historic highs. The country is also taking advantage of its trade potential derived from the trade agreements signed with 52 countries, especially the T-MEC, which provides access to the U.S. and Canadian markets. During the T-MEC renegotiations, a specific chapter on intellectual property was included to protect brands, which provides certainty to companies considering relocating to Mexico. Finally, another important factor is the country's productive infrastructure, which is essential to support economic activity and investment. Together, these elements create an environment conducive to attracting investment and fostering economic development.

Both Nafin and Bancomext are convinced that one of the main ways to stimulate innovation processes is by means of technological development through clusters. In this sense, Mexico already has some related to the development and financing of the industrial building industry, which fosters innovation and generates synergies between sectors and regions. In recent years, both development banks have financed more than 600 projects, especially industrial parks and buildings located in different regions of the country. This has led to a process of decentralization and deconcentration, since previously the concentration was greater in the northern region, on the border with the United States. In recent years, developments have begun in the central and southern parts of the country. The main user companies of these industrial buildings are mainly focused on sectors such as automotive, aerospace, medical devices and pharmaceuticals, sectors with a high degree of innovation that can generate significant spillover effects for other economic activities.

A second strategy with their respective financing programs that both development finance institutions have been significantly promoting is the renewal or acquisition of machinery and technological equipment. Based on a diagnosis carried out in Mexico, it was observed that local suppliers have to produce with the standards required by the backing or anchor companies, as this in turn stimulates the acquisition of new machinery and equipment with high technological characteristics in order to enter the value chain. As a relevant fact, it was pointed out that capital goods imports into Mexico increased by 70% in the post-pandemic period. The virtue of the programs that promoted this is that they not only focused on exporting companies, but also included MSMEs, although the target market for the latter is more local.

The third strategy is aimed at integrating SMEs as suppliers in value chains. To this end, it is essential to maintain constant communication and coordination meetings with the backing or anchor companies to know their specific needs and what they require from local suppliers. It has been observed that more and more certifications and continuous training are required to meet these demands.

The process of company relocation is closely related to the conflict between the United States and China, as well as to the increase in production costs in China. Due to these circumstances, many companies are looking for security and diversification of suppliers so as not to depend solely on a single market. However, this requires countries to develop certain capabilities to attract investment from global suppliers, and this is where the action of development banking becomes important. Development banking can contribute to the development of several areas, such as infrastructure, clean and economic energy, skilled human capital, digital connectivity, among others.

Company relocation represents an opportunity for Latin American and Caribbean (LAC) countries and their development banks. While Mexico, due to its proximity to the United States, plays a prominent role in this process, these opportunities extend to the entire LAC region through the integration of regional value chains. Development banking plays a fundamental role in several aspects, not only in those mentioned above, but also in accompanying SMEs to take advantage of the opportunities that arise from this process. In this sense, it is necessary to promote training and technical assistance programs so that these companies begin to transition to formality and develop their capacity as suppliers.

Therefore, from Mexico's perspective, the insertion of Latin American and Caribbean countries, and the role that development banks must play in supporting the productive fabric of these countries and their efficient insertion into global chains through the use of technology, in order to take advantage of the opportunities opened up by the company relocation process, involves a commercial architecture that encompasses three aspects: physical infrastructure, digital infrastructure and the consolidation of trade agreements. In this process, integration and connectivity within the countries in the region are crucial.

SMES, FINANCIAL INCLUSION AND GENDER EQUALITY

Commitment to financing women-led ventures is essential to integrate gender considerations into countries' investment strategies and promote equal opportunities in access to finance and resources, as well as women's development. At a time when women are emerging as prominent actors in all spheres of social and economic life, with the capacity to face multiple challenges, play diverse roles and participate in the different economic activities of a country, it is crucial that the Development Banking promotes initiatives and support programs in this direction. The experiences observed in the region confirm the importance of these actions.

Microfinance programs have been extremely positive as a way to achieve greater financial and social inclusion, especially for women from very low-income segments. **In Brazil**, in the historical context of 1998, it was observed that 53% of the population with incomes below the indigence line resided in the Northeast, while 45% of those with incomes below the poverty line lived in the same region. Among the challenges identified were the informality of microentrepreneurs, the barriers to accessing credit, the need to gain scale and operational efficiency, and the need for real or personal guarantees. To address these challenges, innovative measures were implemented, such as sector regulation, strategic alliances, a new credit application model, banking inclusion of informal clients, guidance for productive credit, solidarity groups and the creation of the "Crediamigo Ideas" program. In addition, risk self-management was promoted and operational efficiency was ensured.

In 2023, Crediamigo celebrated its 25th anniversary, serving 7.3 million customers, impacting 29.2 million lives and disbursing a total of US$23.81 billion through 57.1 million transactions. During that year, disbursements reached US$2.15 billion, with 3.6 million transactions and a daily average of 14,300 transactions. 68.6% of its customers are women (Figure No. 34) and are concentrated in low-income segments (Figure No. 35).

Figure No. 34: Distribution of Clients by Gender

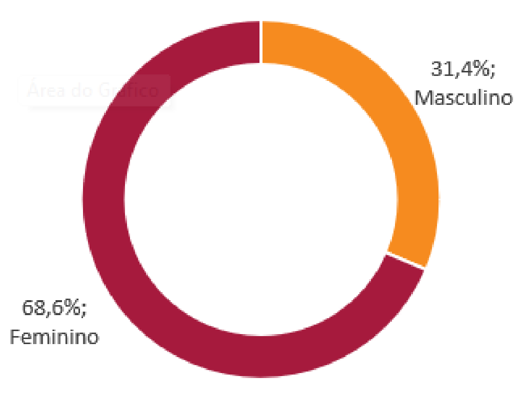
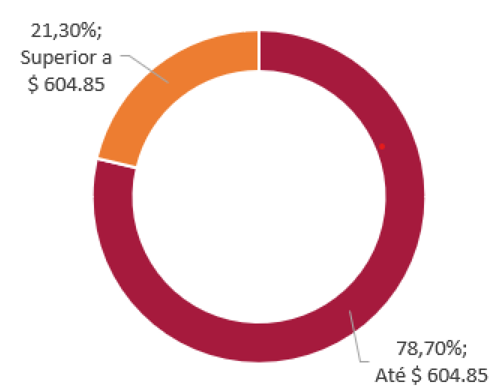


Figure No. 35: Distribution of Clients by Monthly Income Level



In an effort to promote economic development and financial inclusion in Honduras, the Registry of MSMEs was established as a supplier for small purchases from the State, known as ONCAE. At the end of 2023, 350,000 MSMEs were registered, which employ approximately 1.2 million workers, according to the Honduran Confederation of Entrepreneurs (COHEP). In addition, the Presidential Solidarity Network Program, SENPRENDE, achieved a significant milestone by facilitating the creation of 800 Rural Savings and Loan Banks in 14 departments of Honduras. This achievement benefited rural communities and strengthened the local business fabric.

On the other hand, Decree No. 48-2022, also known as the “Law for the Recovery and Reactivation of Micro and Small Enterprises (MSEs)”, has as its main objective to promote the creation of MSEs in Honduras, providing them with tax benefits and facilitating their operation. Among the benefits considered to develop this business sector are: 1) Exemption from Income Tax (IT) for 5 years, with a 100% exemption for the first 3 years and 50% for the remaining 2 years; 2) Exemption from the Tax on Industry, Commerce and Municipal Services for 3 years; 3) Exemption from payment of fees for operating permits, construction permits and environmental licenses; 4) Technical assistance and support for the creation of new companies. Since the approval of this law, the Government, through SENPRENDE, has made significant progress in strengthening the business fabric and promoting entrepreneurship in vulnerable sectors. 242 new groups of entrepreneurs have been created in vulnerable sectors, technical assistance has been provided to 612 women entrepreneurs, 2,607 jobs have been generated through the implementation of social projects, 298 entrepreneurs have participated in business roundtables, and 1,117 new companies have been legalized.

In turn, business associations also participate in the promotion of initiatives for the development of small productive units. The Chamber of Commerce and Industries of Cortés (CCIC), with the support of USAID (United States Agency for International Development), launched the Integrated Business Services Model (IBSM) to promote business growth in Honduras. This initiative will benefit 100 companies in its first stage and seeks to strengthen them through a comprehensive approach covering areas such as: strategic planning, marketing, technology and innovation, process management, human talent and finance. In addition, in order to promote access to credit for MSMEs in the country, the Guarantee Fund has been created as a mechanism for financial inclusion. The Fund supports loans granted by financial intermediaries to MSMEs, contributing to the development of the productive sectors and facilitating access to financing with better credit conditions. The main sectors supported are: agriculture and livestock, tourism, manufacturing, construction, trade and health.

In Costa Rica, Banco Nacional (BNCR) has developed a service model aimed at improving access to credit, financial literacy, advice and support for SMEs (Figure No. 36). This Service Model is based on several elements, including training opportunities, promotion, local impact and specialized programs, in order to provide an improved, more efficient experience and financial inclusion. Through the PymeNauta.com platform, which has more than 9,000 registered companies, the Bank invests more than US$1 million annually in offering tools and resources to promote the growth and sustainability of SMEs. In addition, the renewed service portfolio provides a scalable and differentiated base offering in key areas such as: fund management, credit, insurance, investment and digital channels. Segmentation is optimized, focusing on the financing of the country's main economic activities, allowing services to be tailored more precisely to the specific needs of each client. In addition, they offer remote access options for the application of the first credits, thus facilitating the process for entrepreneurs.

Figure No. 36: BNCR SME Service Model

To carry out these programs, BNCR uses both its own resources and those of the Development Banking System[19], with special funds available for environmentally friendly projects and to support women entrepreneurs. To better serve this segment of companies, it has improved the efficiency in the credit application and approval process by using new alternative ways of assessing payment capacity, based on advanced data analysis. This comprehensive approach seeks to strengthen the entrepreneurial ecosystem and contribute to the sustainable economic development of the country.

Banco Nacional is committed to sustainability and generating prosperity for the greatest number of people. Its Financial Freedom program exemplifies this commitment by providing SMEs with access to credit, financial literacy, advice and support. Through more than 30 public-private partnerships, it has advanced financial education and inclusion objectives, benefiting more than 450,000 people with talks and workshops that have improved their personal finances. In addition, it currently serves 8 indigenous peoples in 24 territories, benefiting more than 40,000 indigenous people and demonstrating its commitment to inclusive economic and social development.

In Ecuador, Corporación Nacional de Finanzas Populares y Solidarias (CONAFIPS) is a wholesale financial institution that offers a variety of services, including credits, guarantees

[19] Created in 2008, the Development Banking System (DBS) is made up of a group of diverse entities that finance and promote productive projects that are technically and economically feasible. The DBS is supported by the following resources: 1) National Development Fund (Fonade); 2) Development Financing Fund (Fofide); 3) Development Credit Fund (FCD); and 4) The resources established in article 59 subsection (ii) of Law No. 1644, Organic Law of the National Banking System, dated September 26, 1953.

through the Guarantee Fund for Credit Operations of the Popular and Solidarity Economy (FOGEPS), financial services (open banking) and non-financial services (institutional strengthening), as well as administration of trusts and third-party funds. CONAFIPS is an organization of the popular and solidarity financial sector that has 5,969 service points nationwide. 55% of these points are located in poor cantons (territories), while 36% are located in highly rural cantons. The entity operates with 407 credit unions and mutuals to channel credit resources and meet the financial needs of various sectors of the population.

In 2023, CONAFIPS managed a total of US$1,661 million, of which US$774 million corresponded to credits in 133,710 transactions. Of this total, 49.43% were allocated to men, while the remaining 50.57%, equivalent to US$887 million, were allocated to women, showing gender parity in the granting of credits. By type of client, older adults participated with US$61 million in 11,494 transactions (4%), while young people received US$354 million in 69,842 transactions (26%). In terms of economic sectors, the agricultural and livestock sector received US$475 million in 100,225 transactions (37%), commerce US$469 million in 80,155 transactions (30%), production (excluding the agricultural sector) US$98 million in 32,166 transactions (12%), services US$413 million in 51,866 transactions (21%), and housing received US$106 million in 2,163 transactions (1%).

As shown in Figure 37, the annual credit evolution has been on an upward trend for several years, and is expected to reach US$320 million by 2024. Defaulting, as of January of that year, is below 0.1%. In terms of gender parity in the granting of credits, it is evident that women have achieved a prominent presence as the main recipients (Figures No. 38 and No. 39). This is especially noticeable in the categories of separated or divorced clients, where the presence of women is significantly high (Figure No. 40).

Figure No. 37: Annual Credit Evolution, 2016-2024

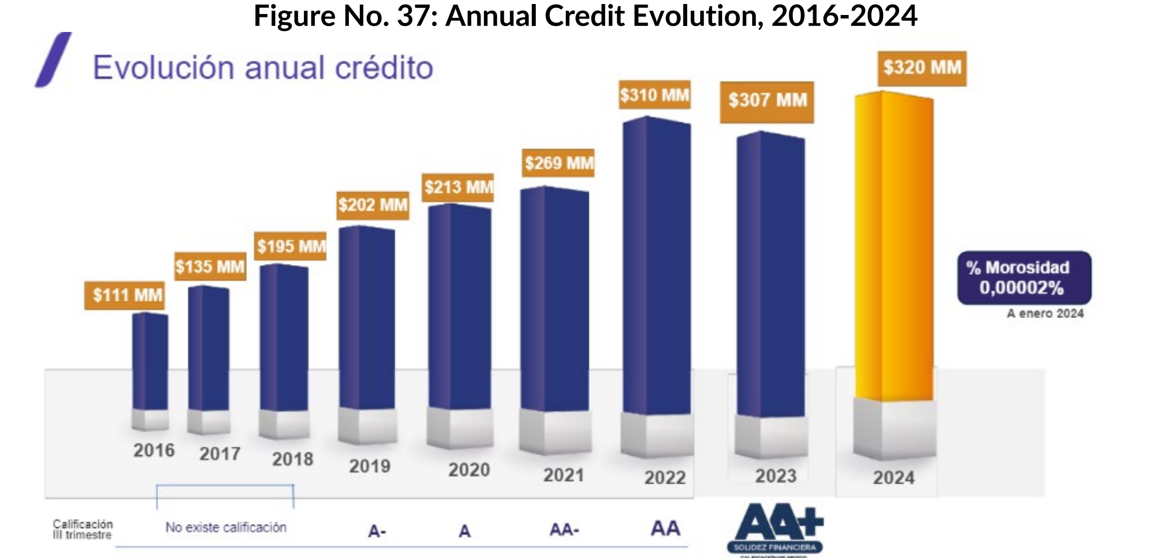
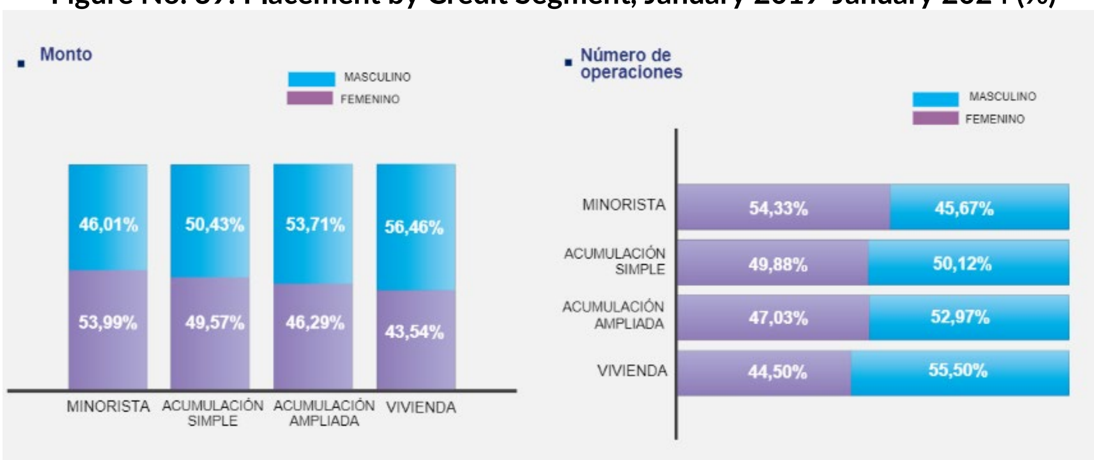


Figure No. 38: Placement and Number of Transactions by Gender, January 2019-January 2024 (%)

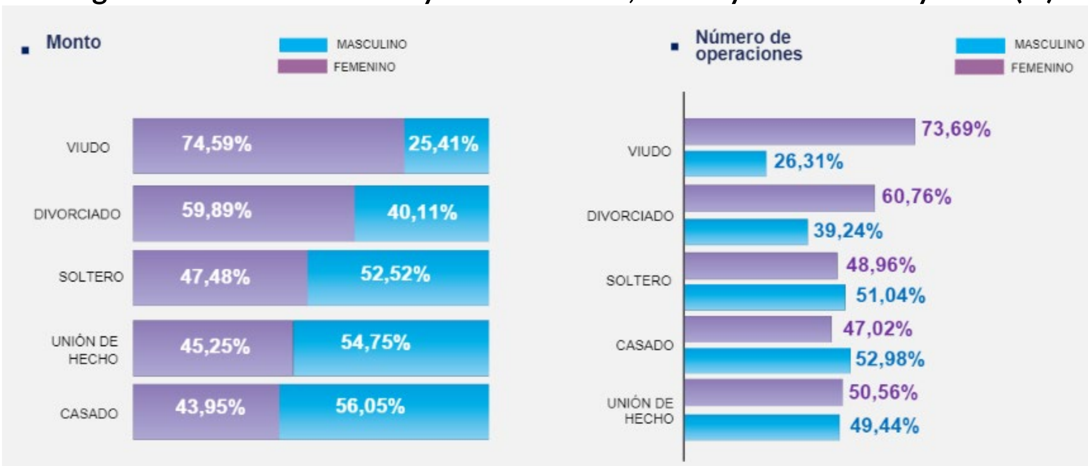
Figure No. 39: Placement by Credit Segment, January 2019-January 2024 (%)[20]



[20] Simple accumulation enterprises: Those that manage to retain the surpluses generated in the production process, but hardly guarantee the reproduction of the production process. They have a low savings capacity and are productive units that only regenerate the production process in the same volume of production they carry out.

Extended accumulation enterprises: They are establishments that, in addition to paying their owners, generate sufficient surpluses to create additional jobs that complement labor legislation, including the payment of health insurance and minimum wage. These enterprises are able to retain the surpluses generated in the production process and have the capacity to expand their economic activity.

Figure No. 40: Placement by Marital Status, January 2019-January 2024 (%)



In Peru, in a context of high incidence of rural poverty, where 4 out of 10 people are in this situation, and a large part of the rural population is financially excluded, the Inclusive Rural Business Development Program (PRIDER), promoted by Corporación Financiera de Desarrollo (COFIDE), has emerged. This initiative seeks to address the needs of rural producers who lack technical assistance and market access. PRIDER is based on two main pillars: 1) Financial literacy: Promotes the formation of Credit and Savings Unions (UNICA), which generate communal funds and financing channels for rural dwellers. 2) Productive development: Provides permanent technical assistance, promoting associativity and market articulation. The objective is to improve producers' yields, increase their income and provide funds to finance their livelihoods.

As of December 2023, the program had created a total of 1,846 UNICAS and granted loans totaling S/398 million (equivalent to US$108 million), generating total savings of S/60 million (equivalent to US$16 million). In addition, **56% of management positions are held by women**. In a PRIDER impact study[21], 120 treatment localities were randomly selected and compared to control localities. The main significant impacts observed were: 1) access to credit, where women and families in less developed localities who have access to UNICA credit can substitute regulated sources; 2) investment in durable goods, with an increase in housing quality improvements, such as flooring and roofing; and 3) reduction of vulnerability, with a decrease in vulnerability to shocks, especially idiosyncratic shocks[22], in areas of greater poverty. In addition, no effects on crop/livestock losses, which are usually associated with aggregate/climate shocks[23], were observed.

[21] Results of the experimental impact evaluation study entitled "Savings groups reduce vulnerability, but have mixed effects on financial inclusion", conducted in 2020.
[22] Specific shocks directly affecting individuals or households.
[23] Results of the experimental impact evaluation study entitled "Savings groups reduce vulnerability, but have mixed effects on financial inclusion", conducted in 2020 (Martin Valdivia and Verónica Frisancho).

To bolster and drive these programs, COFIDE has established the Inclusive Fund for Rural Business Development (FIDER). This fund, which has a budget of S/50 million (equivalent to about US$14 million), aims to drive the economic development of the organizations of rural dwellers by promoting financial education and fostering the sustainable development of rural enterprises. Its development has focused mainly on the poorest areas of the country.

In Honduras, Banco Central (BCH), which is responsible for the formulation and development of monetary, credit, and exchange rate policy, also serves as a banker, fiscal agent, and economic advisor. As part of its responsibilities, BCH implements unconventional monetary policy measures to provide liquidity to the financial system, with the aim of stimulating the flow of credit to the private sector. This is achieved by promoting access to loans on more favorable terms through various financial products backed by the Investment Fund between BCH and Banco Hondureño para la Producción y la Vivienda (BANHPROVI), formerly known as the BCH-BANHPROVI Trust.

BCH also promotes the provision of credit guarantees. In this regard, it is worth pointing out that: 1) The Guarantee Fund for Micro, Small and Medium-sized Enterprises (BCH-FG MIPYME), created in July 2023 as a mechanism to encourage access to credit through the issuance of Coverage Guarantee Certificates (CGC), for a capital of up to L4,400 trillion (equivalent to US$178 billion). This fund is primarily aimed at the sectors of tourism and accommodation, trade, agricultural and livestock production (agriculture, forestry, hunting and fishing), manufacturing, transport and health. The maximum coverage varies between 70% and 90%, depending on the amount (Table No. 1). As conditions, it establishes that the interest rate applied to the backed credit must be at least 2 percentage points lower than the weighted average active rate in national currency of each banking institution. The CGC is valid for more than 6 months with respect to the deadline of the backed credit; 2) The Guarantee Funds for the Reactivation of MSMEs and Larger Enterprises (EMT), both created in April 2020 within the framework of the "Law to Assist the Productive Sector and Workers in the Face of the Effects of the Pandemic caused by COVID-19". The former aims to issue credit guarantees to encourage access to credit and the reactivation of economic activity for MSMEs affected by the decrease in their cash flows. The latter issues complementary guarantee certificates on new loans in national currency, for working capital granted by financial intermediaries with own funds to the EMTs.

From 2009 to 2013, the Law on Financial Support for the Productive Sectors of Honduras incorporated the creation of the BCH-BANHPROVI Trust to support the financial system for the granting of credits to the housing sector, microcredit and other productive sectors. The initial amount was L5,000 million (equivalent to US$202 million), which was later increased to the maximum amount of L13,000.0 million (US$535 million). In the same year of its extinction, the **BCH-BANHPROVI Investment Fund** was previously created, whose credit programs for the country's development are prioritized by the Ministry of Finance (SEFIN), and its purpose is to support the productive sectors, including MSMEs, housing, and production. This is done through BANHPROVI, a wholesale bank, under the figure of rediscount, with an initial capital of L25,000 million (US$1,009 million), of which L21,000.0 million (US$848 million) come from the immediate availabilities and capital recoveries of the credit portfolio placed on the date of liquidation of the pre-existing Trust, and L4,000 million (US$162 million) as an additional contribution from BCH.

Table No. 1: Coverage of the Guarantee Fund for Micro, Small and Medium-sized Enterprises

Amount Loaned	Maximum Guaranteed Coverage in %
Up to L300,000 (US$ 12,108)	90
From L301,000 to L1,000,000 (US$12,148 to 40,359)	85
From L1,000,000.01 to L3,000,000 (US$12,148 to 121,078)	80
From L3,000,000.01 to L5,000,000 (US$12,148 to 201,796)	75
From L5,000,000.01 to L36,000,000 (US$12,148 to 1,452,932)	70*

BCH-FG MIPYME will issue a CGC for up to a maximum amount of L10,000,000 (US$403,592)

Table No. 2: Cumulative Amounts up to June 2023

Guarantee Funds	Number of Guarantees Issued	Amount (In millions of lempiras)		Amount (In millions of US$)		Percentage Guaranteed
		Loaned	Guaranteed	Loaned	Guaranteed	
BCH-FG MIPYME	20,496	4,656.0	3,558.8	187.91	143.63	76.4
BCH-FG EMT	55	924.8	505.0	37.32	20.38	54.6
Total	20,551	5,580.8	4,063.8	225.23	164.01	72.8

Source: Banco Central de Honduras.

At the end of 2023, resources of L4,047.7 million (US$163.4 million) were placed, mostly mobilized by the housing sector, with L3,015.5 million (US$121.7 million), of which L2,532.2 million (US$102.2 million) corresponded to middle-class housing and L483.3 million (US$19.5 million) to social interest housing, which represents almost 75.5%. Loans for food security amounting to L1,032.2 million (US$41.7 million) were also granted.

SUSTAINABLE AGRICULTURE AND FOOD SECURITY

The most impoverished zones are usually in rural areas and are mainly linked to small-scale agriculture. According to the United Nations, the poverty rate in rural areas is 17.2%, more than triple the poverty rate in urban areas. Moreover, the agricultural sector is key in the fight against climate change, as it generates approximately one-third of all greenhouse gas emissions, especially due to deforestation and the loss of biodiversity.

Furthermore, according to OECD forecasts, global demand for agricultural products is expected to grow by 1.2% annually in the current decade. It is estimated that 87% of the increase in global production will come from increased productivity. This productivity is crucial to feeding a growing global population, which is expected to reach 8.5 billion people by 2030. Therefore, it is essential to support inclusive development with sustainable jobs and greater equity to reduce extreme poverty. Promoting investments in agriculture, with a special focus on small producers, is essential to improve agricultural productivity and foster sustainable food systems that help mitigate the risks of hunger and malnutrition in the face of an eventual increased global demand for food.

In the case of LAC, the core problems of agrifood systems can be divided into: 1) Exclusionary and unsustainable (structural) trajectories: This includes restricted access to varied, sufficient, safe and nutritious foods, resulting in the high cost of a healthy diet. It also refers to the existence of millions of small producers who produce inefficiently and market at unfair prices. Moreover, chaotic, informal and costly supply chains stand out, as well as the loss and waste of millions of tons of food each year. Other aspects are excessive pressure on natural resources leading to the degradation and/or destruction of ecosystems, as well as the contribution to total net greenhouse gas emissions; 2) Hidden costs (social, health-related and environmental): Globally, these costs amount to US$ 12.7 trillion (70% corresponding to health due to unhealthy diets and 22.4% to environmental aspects), which, in purchasing power parity (PPP) of 2020 of world GDP, is equivalent to almost 10%. Of this figure, US$1.2 trillion corresponds to Latin America and the Caribbean.

Meanwhile, the global agrifood problem is aggravated by several factors: 1) The increase in poverty since 2014; 2) The COVID-19 pandemic; (3) Trade restrictions; 4) The rise in the prices of food and agricultural supplies; 5) Rising energy and transportation prices. This combination of challenges leads to an increase in inequality and poverty, with a consequent increase in hunger and food insecurity, as well as in the cost and affordability of healthy diets. According to 2022 data, the outlook shows some regional impacts, such as: 1) 247,8 million people are moderately or severely food insecure (37.5%); 2) 43.7 million hungry or malnourished people (6.7%); 3) 133,4 million people without access to a healthy diet; 4) 4,2 million overweight children under 5 years of age (8.6%) and 106 million obese adults (24.2%); 5) Women are 15% more likely to suffer from food insecurity. There is a prevalence of hunger and undernourishment in the region (Table No. 3). Moreover, we observe that the cost and affordability of a healthy diet increased in the period from 2017 to 2021. Per person, on average, it increased from USD$3,84 to USD$4,41 for the Caribbean; from USD$3,42 to USD$3,82 for South America and from USD$3,37 to USD$3,63 for Mesoamerica.

Table No. 3: Food Problems in the Region, 2022

Indicator	South America	Mesoamerica	Caribbean
Prevalence of hunger and undernourishment	26,8 million people	9,1 million people	7,2 million people
Prevalence of moderate or severe food insecurity	159 million people	61,9 million people	26,9 million people

Source: FAO (2023), Latin America and the Caribbean: Regional Overview of Food Security and Nutrition, 2023. Statistics and trends.

Faced with this problem, the Food and Agriculture Organization of the United Nations (FAO), whose mission is to meet the needs of present and future generations, guaranteeing profitability, environmental health and social and economic equity, contributing to the availability, access, use and stability of food, and promoting environmental, social and economic sustainability, estimates that, by 2050, if the goal of feeding 9 billion people is to be achieved, food production needs to be doubled. It is indispensable to transition toward sustainable agrifood systems, given that without profound changes it will be impossible to meet food needs with an increasingly depleted natural resource base.

Consequently, the sustainable agrifood systems that FAO seeks to promote comprise four main axes: 1) **Better production**: Increasing productivity, diversifying, creating jobs and adding more value. This will be achieved by limiting the expansion of agricultural land to protect natural ecosystems, implementing water- and energy-efficient production systems, reducing greenhouse gas emissions, changing the fertilization matrix, and using other agricultural supplies more efficiently; 2) **Better environment**: Protecting and boosting natural resources by intensifying positive agriculture (slowing the expansion of the agricultural frontier) and negative agriculture (reducing the intensive use of agricultural supplies), improving soil health, protecting water and managing scarcity, conserving biodiversity and protecting ecosystem functions, reducing losses, encouraging reuse and recycling, and promoting sustainable consumption; 3) **Better life**: Improving livelihoods and fostering sustainable economic growth. This involves empowering people, fighting inequality (including custody rights), improving access to natural resources, social protection to increase productivity and incomes, and financial resources and insurance; 4) **Better nutrition**: Eradicating hunger, achieving food security and improving nutrition. The goal is to reduce undernourishment, ensure a steady supply of healthy food, improve food security, ensure food safety and improve food distribution. All of this should contribute to increasing the resilience of people, communities and ecosystems.

To achieve these improvements, FAO considers it essential to create sustainable agrifood systems based on accelerators of change, such as innovation, the adoption of technology and the use of data. This includes: 1) Driving social, regulatory, institutional, financial, and technological **innovations**; 2) Developing **technologies** aimed at reducing the use of agricultural supplies through optimization, increasing resilience and adapting to climate change, and restoring ecosystems; 3) **Collecting and systematizing** data to understand and evaluate agrifood systems in all their complexity; and, 4) **Strengthening the governance, human capital and institutions** needed to ensure an inclusive transformation of agrifood systems. This is based on a focus on the rights of gender, youth, indigenous and native peoples, and requires transparency, adaptability and efficiency (Figure No. 41**).**

It is estimated that food purchased by consumers accounts for approximately 20% of GDP in Latin America and the Caribbean. In this context, there are various estimates of the additional costs needed to address the problem of hunger and poverty in the region (Table No. 4).

Table No. 4: Food Problems in LAC

Source	% of GDP	Comment
ECLAC, 2023a	0.1-0.5 (0.24% average)	Extreme poverty; transfer to cover the poverty gap
ECLAC, 2023a	0.5-2.8 (1.53% average)	Total poverty; transfer to cover the poverty gap
FAO, IFAD, and WFP, 2015	0.14	Combination of interventions to increase food production and transfers to poor sectors to eliminate hunger

Source: FAO

Financing for the sustainability of these systems stands out as a driving mechanism for their transformation. To achieve this, it is considered necessary to assess capital flows (natural, human, social, productive) in order to finance mechanisms that drive the transformation of agrifood systems, to calculate hidden costs at the national level, to use resources from the public budget and international flows for development, to have an accessible banking system and capital market for the mobilization of financing, to implement an appropriate macroeconomic and trade policy, and to establish an incentive system that promotes the sustainability of agrifood systems.

Therefore, in order to overcome the problem of food security, it is recommended: 1) To overcome the supply chain vision – understanding the complexity of moments, actors and processes of agrifood systems; (2) To opt for a multisectoral approach that ensures greater coherence in the set of actions that contribute to the achievement of food security and nutrition; 3) To have a multi-stakeholder approach that promotes articulation and coordination between governments, international cooperation, regional integration mechanisms, the financial system, sectors and actors of agrifood systems; 4) To promote greater participation in the environmental and climate agenda, including climate change adaptation and mitigation, as well as restoration, with greater articulation with climate funds and private investment; 5) To strengthen resilience through disaster risk prevention and management, through the implementation of Early Warning Systems (EWS), insurance, and emergency response; 6) To foment the use of data, digitalization and technological innovation; 7) To promote circular economy, including the reduction of food loss and waste, and the sustainable management of water and clean energy; 8) To prioritize food education in order to encourage a shift in food consumption patterns toward healthier diets; and, finally,

9) To adopt a gender and youth approach to ensure equity and the full participation of all groups in building sustainable and secure food systems.

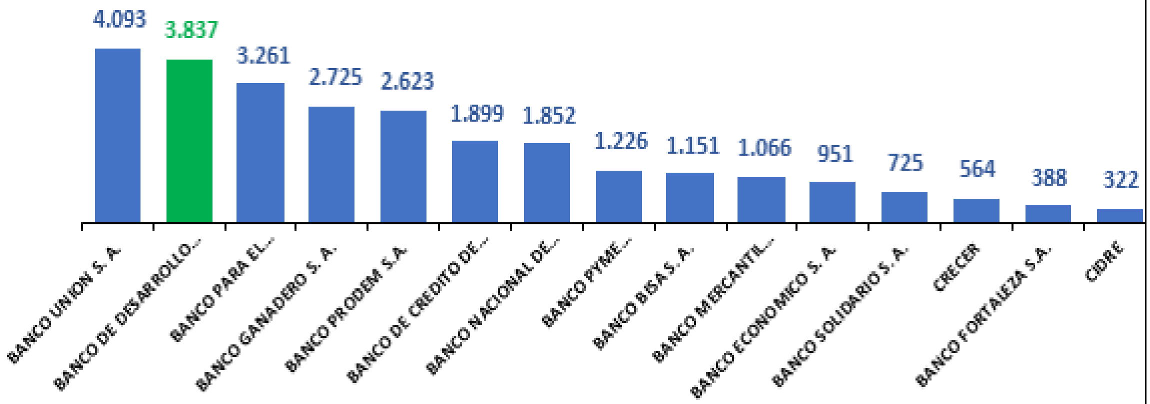
Furthermore, to address the costs, financing and incentives to solve these challenges, here are some recommendations: 1) Estimating comprehensive financing and its quality: recognizing that increased financing for the agrifood sector does not necessarily translate into greater food security and better nutrition; 2) Considering the costs of not solving the problems of hunger and malnutrition (hidden costs); 3) Promoting macroeconomic, trade-related, regulatory, fiscal and incentive frameworks that promote food security and nutrition; 4) Promoting the optimization of public spending and reimbursable financing to achieve greater impact: redirecting resources toward food security, nutrition, disaster resilience, adaptation to climate change, the environment, modernization of supply and procurement systems and governance, among others; 5) Increasing non-reimbursable funding to improve data quality and having more and better evidence; 6) Reducing the barriers that limit the operations of banking systems and capital markets in support of this agenda: providing support with blended finance for, for example, the absorption of first losses, technical assistance and support to the entities that execute these investments, guarantees, impact investment funds and green bonds, among others.

In Bolivia, Banco de Desarrollo Productivo (BDP), in accordance with its 2024-2026 Strategic Plan, involves seven strategic objectives: 1) Contributing to food security; 2) Contributing to import substitutions; 3) Promoting sustainable finance and carbon neutrality; 4) Generating wholesale banking impact; 5) Fomenting productive intelligence; 6) Proving support to the actions of public entities; and, 7) Promoting sustainability.

To address Goal 3 of sustainable finance and carbon neutrality, BDP provides financing for green investments. This portfolio is intended for green technologies, such as irrigation systems, water treatment, hail nets, solar panels, solar pumping, biodigesters, biomass and organic fertilizers. This portfolio is expected to represent 12% of the total by 2026, whereas in 2022 it represented 6%. As for Goal 1, on food security, BDP contributes to domestic production by financing its agricultural customers for crops such as cereals, stimulants, fruit trees, vegetables, oilseeds, tubers, roots and fodder. According to 2022 data, these customers represented around 1.7 million tons (8.3% of the total) of domestic production. These customers are expected to represent 11.3% of domestic production by 2026.

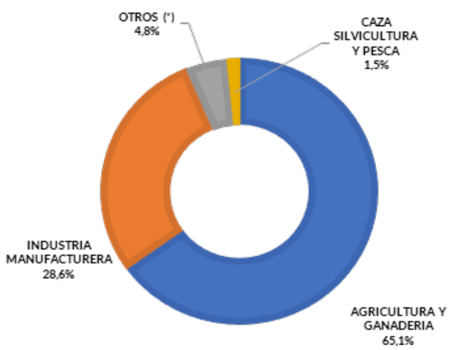
The participation of BDP in the Bolivian financial system, through its agriculture and livestock portfolio in millions of Bs as of December 2023, is the second largest in the national system (Figure No. 42). Currently, the portfolio of BDP is mostly oriented toward agriculture and livestock (65.1%), followed by manufacturing (28.6%), hunting, forestry and fishing (1.5%), and others (4.8%) (Figure No. 43). It is relevant to note that the majority of the portfolio of BDP is destined to small producers or micro-entrepreneurs (72.8%) (Figure No. 44).

Figure No. 42: Contribution to National Agricultural Production, BDP



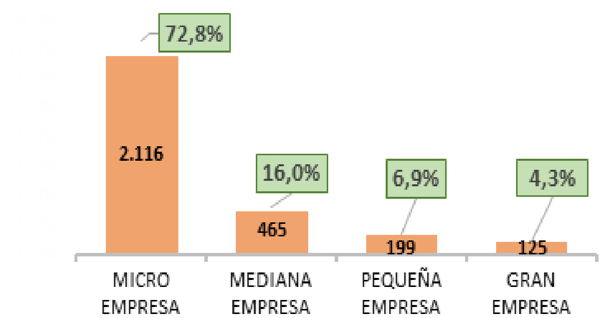
Source: ASFI (Dec. 2023) / BDP – SAM (Dec. 2023)

Figure No. 43: Portfolio by Sector, BDP



Source: BDP

Figure No. 44: Portfolio Balance (In millions of Bs and %), BDP

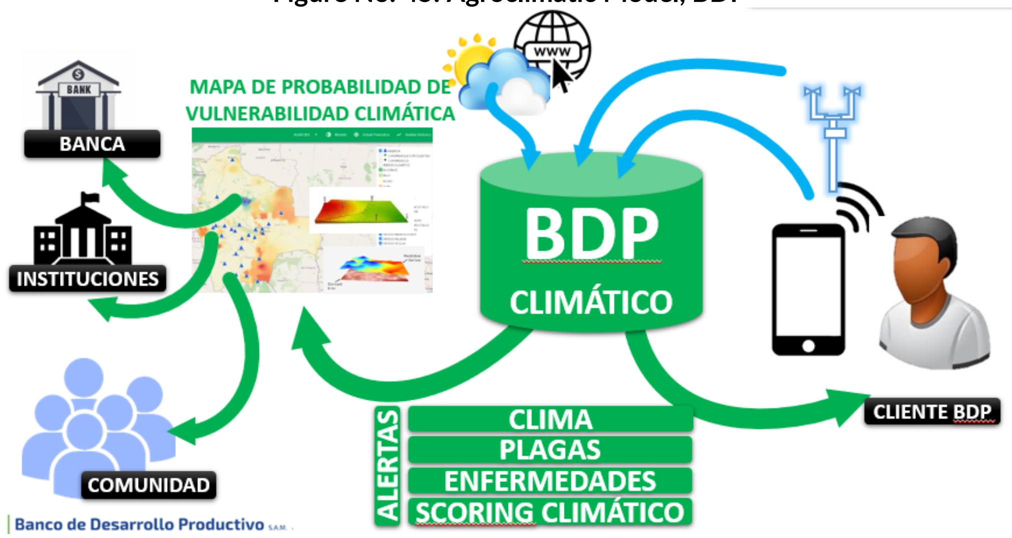


Source: BDP

In sustainable agriculture, BDP, as a development bank, finances and promotes processes for an agriculture in transition, particularly by addressing investments in areas such as: clean energy; efficient technologies, equipment and machinery; smart agriculture; efficient water management; well-being and health; regenerative agriculture; information systems; biodiversity for production; and responsible use of supplies.

In order to guarantee long-term food security, BDP has structured a plan based on four axes: financial inclusion, specialized technical assistance, innovation and market access, and resilience to climate risks. The technical assistance of BDP accumulated since 2017 for producers is 53,985 people served through generic technical assistance and 36,248 through specialized technical assistance. Moreover, BDP has an agroclimatic model, through which it seeks to serve banks, institutions, the community and customers, through a climate vulnerability map with alerts on the weather, pests, diseases and a climate score (Figure No. 45). This system is also used to systematize the data on yield, production and income, which allows the generation of indicators at the national level on food security, CO2 reduction and import substitution.

Figure No. 45: Agroclimatic Model, BDP



Source: Banco de Desarrollo Productivo.

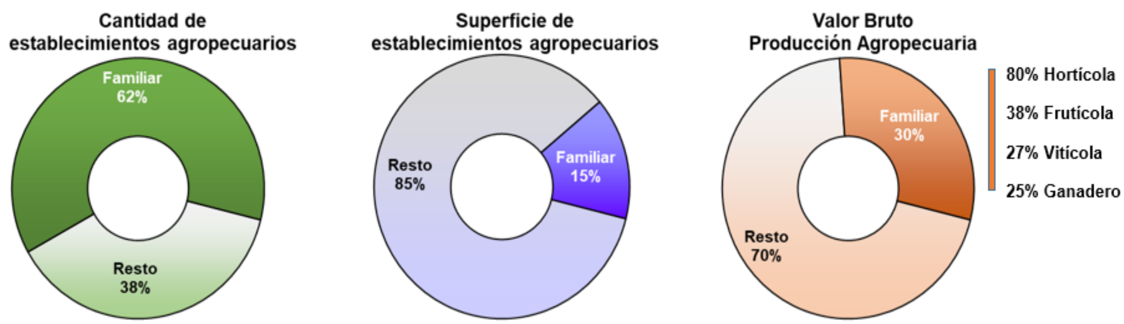
BDP, in turn, has green financial products available to producers, such as: 1) BDP Eco-efficiency, which finances operations for energy efficiency, renewable energy and a cleaner production; 2) BDP Adapt: a green credit aimed at granting financing to current clients in the agricultural and livestock sector, for venture capital and operations that reduce losses due to exposure to climatic events, such as droughts, snowfall or frost; 3) Sustainable livestock farming, which provides financing for the management of natural resources, water resources, projects with a social component and the livestock production system; and, 4) BDP Resilience, which finances sustainable livestock farming, agroecological production, agroforestry and forestry systems.

In conclusion, BDP contributes to food security policies through the provision of financial and non-financial services for the agriculture and livestock sector, having served 45,864 clients in the last year, with an approximate amount of US$417,470 in 34 areas. Specialized technical assistance services among customers and potential customers reach 30,592 people in rural areas. Among some of the challenges that BDP still has to face are: 1) Advancing productive intelligence through remote assistance systems (and monitoring of the contribution to food security); and, 2) Promoting the sustainability of production through the transition to sustainable financial systems.

Banco de la República Oriental del Uruguay (BROU), the country's main financial institution, has more than 127 years of history. At present, it is an autonomous entity, governed by the constitution and the laws that regulate the banking activity, operating in a highly competitive market. It encompasses all multiple, commercial and development banking operations. Its mission is to contribute to the productive, economic and social development of the country, providing financial solutions to public and private enterprises, families and individuals, reconciling the necessary profitability of their activity with the fulfillment of the social commitment, the care of the trust and savings of depositors.

Uruguay is a country characterized by the relevance of agro-industrial and agro-export activity, where: 1) 90% of the territory is suitable for agricultural and livestock production; 2) Its level of food production is for 30 million people, almost 10 times the country's population; 3) The agro-industrial sector and its related activities represent 15% of GDP and almost 80% of the amount of goods exported; and, 4) The country strategy seeks to generate structural, quantitative and qualitative change, based on four main pillars: the incorporation of agro-smart technologies; regulation of land use and management; adaptation to climate change; and support for the development of family production (Figure No. 46**).** Family agriculture plays an essential role in the rural development of Uruguay, this being a key activity in the reactivation of rural economies, generating stability and social ties.

Figure No. 46: Agricultural and Livestock Activity in Uruguay



Source: Banco República Oriental del Uruguay (BROU).

For this purpose, the BROU seeks to be a strategic partner of the agricultural and livestock sector and the rural environment, given that: 1) It has a deep knowledge of the sector and the producers; 2) It has broad territorial coverage; 3) It makes regular visits to rural areas that perpetuate their links; and, 4) It has a commercial offer adapted to specific needs. In addition, BROU offers a varied set of financing alternatives to support sustainable agriculture, in the long term, in the development and implementation of projects for the different agricultural and livestock activities, with deadlines according to their needs. This contemplates the productive expansion of traditional business, the integration of new items and productive reconversion. The characteristics and financial conditions of the financing consider: 1) Productive expansion in the dairy sector: investment in infrastructure, machinery, breeders, effluent management, etc., with variable amortization according to the price of milk and a deadline of up to 10 years; 2) Water for your Plot: investment in water resources (dairy, livestock), with a deadline of up to 10 years, with a grace period of one year; 3) Field Purchase Program for SMEs: 30-year deadline and financing up to 90% of the value for micro and small producers, facilitating access to land and avoiding rural depopulation; and, 4) Livestock Trust: facilitating the expansion of the livestock business using livestock as collateral. Applicable to the purchase of animals, food or pasture plantation. The disbursement of these credits is done in less than 48 hours.

In Chile, Instituto de Desarrollo Agropecuario (INDAP) is an institution whose strategic axes are to promote sustainable, inclusive and resilient Peasant and Indigenous Family Agriculture (AFCI). It provides support to the AFCI through various programs for the promotion of production and financial services (credits) exclusively to accredited users. It should be noted that: 1) It supports 63% of the AFCI; 2) 46.86% are women; 3) 7.2% are youngsters under 35 years old; 4) 40% belong to an indigenous people; 5) The average age of customers is 57 years old; (6) 90% receive technical assistance; 7) 43% received investment subsidies; and, 8) 32% obtained credit. In the first two months of 2024, it has served 175,000 users.

In Chile, there are many small producers with little land. 73% are small producers (who own less than 20 hectares) and only 8% are large producers (with more than 100 hectares). Large producers own 89% of the land, while small producers own only 4% of the land with potential for forestry, agriculture and livestock, hence INDAP's activity in Chile is extremely important. Moreover, large producers are mainly engaged in the agro-export sector (where fruits predominate), while small producers focus on the production of food for local consumption. In this regard, INDAP seeks to support small producers through its model of integrated assistance to small agriculture. This model promotes 22 technical advisory programs and specific subsidies, which absorb 65% of the institutional budget. As for financial assistance, it offers programs of agricultural and livestock credit and insurance, indexed to voluntary (subsidized) credit, representing the remaining 35% of the institutional budget. 90% of the credits are recovered as income.

The financial instruments offered by INDAP are characterized as follows: 1) Credits: They are offered for both short term (365 days) and long term (more than 1 year), with a nominal annual interest rate of 3%. These credits provide access to extensions, renegotiation, and write-offs in case of catastrophes. The guarantee policy for credits is based on risk classification, and payments are made through the INDAP web platform. 2) Agricultural and livestock insurance: All credits include an associated life insurance, and the credits with insurable items must have an insurance policy. Insurable items receive an insurance subsidy that averages 80%. These agricultural and livestock insurances are tendered to private companies and have proven to be very successful instruments in years of catastrophes. In addition, price hedging instruments are offered for maize and wheat.

IMPACT EVALUATION OF THE CONTRIBUTION TO DEVELOPMENT

Measurement in development encompasses much more than the mere evaluation of impact. It is a comprehensive concept that encompasses several essential measures for institutional decision-making, both in the short and long term. For example, in the short term, it can be useful for identifying skills and improving lines or programs of support, aligning them with the long-term goals and mission of the developing organization. This approach not only benefits the management and improvement of the institution's internal efficiency, but also contributes to long-term accountability to society and governments. It is crucial to highlight this holistic perspective, as institutions play a critical role in generating this information and, at the same time, must fully integrate it into their decision-making process.

Impact evaluation is a fundamental tool in both the public and private sectors, allowing the effects and results of projects, programs and policies to be measured in order to ensure the achievement of established objectives and maximize value for all parties involved. In the public sphere, it contributes to allocating resources more efficiently and designing policies that benefit society at large. In the case of Development Banking, its importance is even greater, given its key role in promoting economic and social development, by financing projects with a significant impact on communities and the economy in general. Impact evaluation in this context goes beyond financial results, also considering the social and environmental effects of the financed projects, being useful in various dimensions for the design of public policies.

However, pinpointing project results to specific funding efforts requires sophisticated and experimental methodologies. Although in some cases randomized or quasi-experimental methods may be employed, this is not always feasible. Furthermore, in order to carry out these impact evaluations, a large amount of information needs to be collected beforehand, which underscores the importance of data sources. On the other hand, monitoring uses methodologies that may be less sophisticated, but equally necessary to capture qualitative and quantitative information, even if they do not provide a direct attribution of results to funding.

Impact evaluation stands out as an integral part of measurement in development, using methodologies that address financial, economic and socio-environmental impacts. It is important to consider the challenges associated with accessing information and collaborating with financial intermediaries, particularly retail banking ones. Institutions tend to optimize resources through strategies such as the use of data and collaboration agreements, aside from addressing challenges related to the will of the executor and the counterparts. At the same time, it is necessary to improve the quantification of externalities and public goods in the key performance indicators (KPIs[24]) used by private banks in their comparison with development banks, and it is necessary to develop an adequate methodology.

[24] A KPI (key performance indicator) is a quantitative metric that shows how an area or company is achieving its most important business objectives.

The developmental measurement system should take into account a variety of elements to guide the "Global Positioning System (GPS)" in this roadmap. Here are some of them.

- Firstly, it is crucial to consider the social perspective when generating this development measurement system. Development finance institutions (DFIs) should take into account their contribution to development, as their objectives are closely related to improving financial inclusion, increasing the productivity of SMEs, and facilitating access to credit for specific groups, such as women. However, it is fundamental that these institutions be able to measure their impact in these aspects, because otherwise it is difficult to justify their work. In this sense, it is necessary to incorporate, in the measurement, the social perspective that includes externalities and the public goods that they generate. The private perspective of DFIs is partial, as it focuses solely on the profitability of the projects financed. However, the social perspective must also be considered, especially in sectors where there are market failures that prevent certain groups from accessing credit. DFIs complement these market failures, but they need to be able to adequately quantify their contribution in terms of externalities and public goods. Otherwise, their financial activity could be underestimated compared to the private financial sector. Therefore, it is necessary to advance gradually in improving this quantification, developing methodologies and pilots, as the IDB has done with the Trusts Established in Relation to Agriculture (FIRA), in order to incorporate development objectives into key performance indicators (KPIs).

- Secondly, when we talk about impact, we are referring to three types of impact: the measurement of financial, economic and socio-environmental additionality. In impact evaluations, it is important to take this triple impact into account. Financial additionality is relevant because we seek to determine whether the conditions of better rates, amounts, deadlines or other financial conditions are generating a substantial improvement for beneficiaries compared to those who did not receive the credit. It is always evaluated from the perspective of the end beneficiary, looking at what effect it is having from the point of view of the financial sector. The aim is to determine whether Development Finance Institutions are generating a so-called "crowding in" effect, i.e., they are not displacing the private financial sector, but rather contributing to generating the demonstration effect that financial and economic additionality would provide. In the case where the financing is directed to micro-entrepreneurs, the evaluations consider the impact on variables such as sales, household income, job creation and the survival of the SME. These are the types of variables that are measured in the economic impact evaluation. On the other hand, in the socio-environmental aspect we evaluate, for example, the reduction of emissions or social variables such as the reduction of poverty or inequality.

- Thirdly, it is also important to note that it is a challenge for the financial sector to carry out impact evaluations, mainly due to the available sources of information, especially when it is a wholesale banking entity that does not have a direct relationship with the end beneficiary, but operates through retail banking financial intermediaries. This implies setting up certain requests that require extra effort to obtain the necessary information.

In order to conduct impact evaluations that are more rigorous, and with a greater attribution, through sophisticated methodologies, it is crucial to clearly define which aspects are to be assessed and to weigh the associated marginal costs. These costs are not limited only to the search for information, but also include, for example, travel to the field to conduct surveys of beneficiaries or a control group, which can be costly. Moreover, there are costs related to capacity building within the institutions themselves. On some occasions, it is necessary to resort to third parties with the required skills, while in others it is possible to choose to form an internal team capable of carrying out these studies. However, this process is gradual and can be started with other types of evaluations that, though less expensive, continue to generate relevant information in the short term, as long as they are useful for decision-making. There is no point in carrying out an extremely sophisticated or experimental evaluation if the results obtained do not contribute to decision-making and to improving the targeting of programs or the design of new programs.

As mentioned above, access to information constitutes a challenge. The question is how to address it and what strategies to employ instead of resorting to surveys or administrative data. An IDB experience in Argentina during a COVID-19-related program illustrates this point: establishing collaboration agreements with other entities that have information, aside from that generated by the banks in the program, in order to cross-check data. For example, through formal or informal collaboration agreements with MSME Secretariats that have real data, it is possible to obtain the necessary counterfactuals for impact evaluation. However, it is important to also consider the disposition of the executor and counterparts to share information. In the case of a wholesale banking entity, it is fundamental to consider the mandate of the institution and the incentives that it can provide to retail banking entities to collaborate in the exchange of information. Some kind of pilot scheme could be conducted in order to determine what kind of incentives might motivate the retail private bank to collaborate with the development bank on information sharing.

At FIRA – Banco de México, they consider four reasons why it is very important to evaluate financial products, guarantees or technical assistance interventions:

- First, there is accountability and transparency, which consist in demonstrating that public resources managed by Development Finance Institutions (DFIs) are being used effectively and are achieving their intended objectives. This makes it possible to detect if there has been any positive change in the situation of the population served.

- Second, based on the measurement of benefits and lessons learned in the impact evaluations, the aim is to carry out a continuous improvement of the programs. This feedback is crucial to detect if any target population is not being served with the desired breadth or if the expected change is not being achieved, which leads to the generation of new avenues of promotion.

- Third, the aim is to generate internal and external learning in the design of the subsidy programs. This implies documenting lessons learned and sharing them with other governmental actors who can benefit from that experience. For example, it is recognized that subsidy programs are difficult to design in order to have the expected impact, hence the experience of other programs implemented by institutions in the country or in other countries is sought as a reference.

- Fourth, information is provided for decision-making. When presenting new programs to the bank's technical committees, it is crucial to provide data-driven information on results to enable effective continuity in financing and drive. Therefore, having solid evidence is fundamental to approving the implementation of these programs.

For these reasons, FIRA conducts impact evaluation studies of its programs, recognizing the importance of these evaluations in the design of public policies. A notable example is the optimal fertilization program implemented in the Yaqui Valley, State of Sonora. This valley was a pioneer in the green revolution, with the prominent presence of Norman Borlaug[25], whose contributions to the development of wheat crops in the 1950s and 1960s were significant not only for Mexico, but globally. The technology developed included more resistant and productive hybrid varieties, increasing agricultural productivity. However, the predominant use of synthetic nitrogen-based fertilization, as part of the technology package, generated a significant increase in the carbon footprint[26] associated with wheat production in the valley. Although this practice increased the production of tons of wheat, it also resulted in an overuse of fertilizers by today's standards. As a result, a program was developed by FIRA that uses new technologies based on patterns captured by multispectral cameras. These cameras make it possible to create a heat map of the plots, identifying the areas that require nitrogen and those that do not. The result is a more efficient use of nitrogen, which benefits the grower by reducing fertilizer spending and decreasing the carbon footprint associated with better nitrogen utilization.

The question that arose at FIRA was whether this technology could help reduce nitrogen application and whether producers, with FIRA's subsidy for the adoption of this technology, would be interested in implementing it. From FIRA's perspective, it would seem feasible, but producers who have been in wheat production for many years might not be willing to take the risk of adopting a new technology that is brought to their farm or plot. In the context of the year 2022, when fertilizers were very expensive, this remote sensing agriculture 4.0 technology was introduced, with FIRA absorbing 65% of the cost of its adoption. The target segment was wheat producers using traditional technology, with not so high activity, high production costs and significant levels of contamination. For this reason, FIRA implemented a technical advisory and technology transfer program, along with production credits, in order to demonstrate that this new technology can increase productivity, reduce production costs and reduce pollution. The objective is to identify the factors that influence the adoption of agriculture 4.0 technologies by producers, since not everyone who receives the offer accepts

[25] Known as the father of modern agriculture, Norman Ernst Borlaug has been one of the most important figures in the agricultural field worldwide. Thanks to decades of research, he succeeded in consolidating what is known as the Green Revolution. In the Yaqui Valley, located in the state of Sonora, he spent years experimenting with different varieties of wheat until he developed one that had all the necessary characteristics: climatic resistance, short stature to avoid wind damage, high productivity, resistance to pests and seed quality, among others. Moreover, he established parameters for the planting, care and fertilization of crops, which resulted in a process that tripled grain production, thus contributing to avoiding the predicted famine both in Mexico and in the rest of the world. For these and other contributions to global food security, he was nominated and awarded the Nobel Peace Prize in 1970.

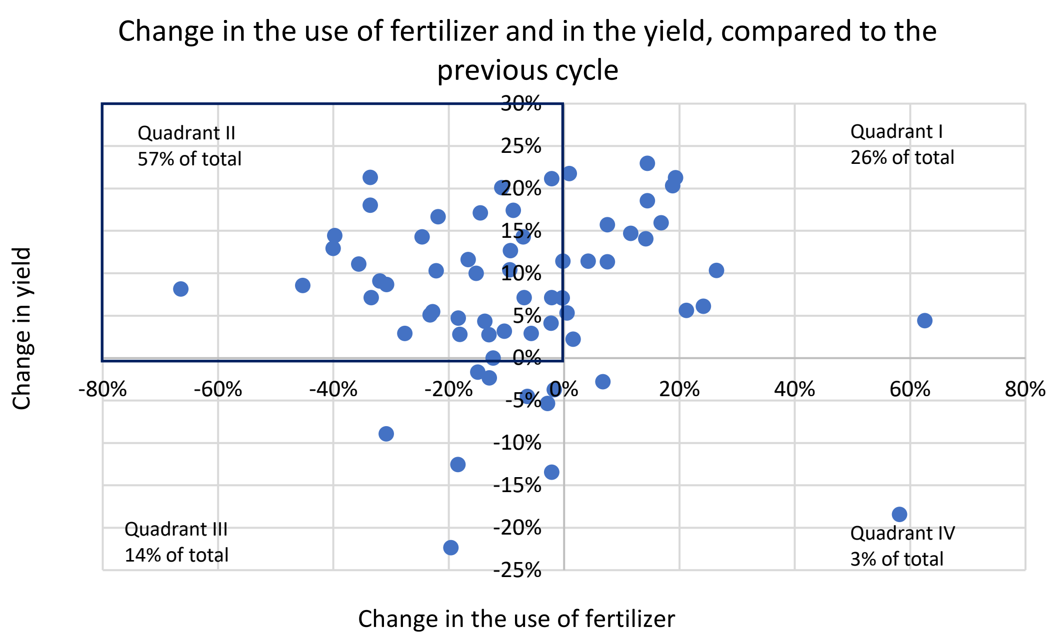
[26] Studies have shown that only about 30% of the nitrogen applied to plants is absorbed and used by plants.

it. For producers who decide to adopt it, the aim is to measure the savings in the use of nitrogen and the loss or gain in the production of the plot. A logistic regression model will be used to determine the probability of adoption, profiling the socioeconomic and productive characteristics, and prior knowledge of technology of a population of producers in the Yaqui Valley.

The result observed was an increase in the production of tons per hectare compared to the previous year, accompanied by a reduction in the use of fertilizers. Another important finding for FIRA was that the factors that limit the adoption of the technology are associated with various dimensions of the producers, such as their socioeconomic and productive profile and their prior knowledge of the technology. The importance of prior exposure to the technology, i.e. knowledge about drones and multispectral cameras, as well as the effectiveness of the maps generated, was underscored, as it is a technology that had been used in previous years, but one that had lost relevance due to the lack of technical assistance and the economic context of producers.

Therefore, in order to successfully implement a new technology, it is necessary to have demonstration plots, technical assistance and adequate promotion. It was observed that producers with a larger number of hectares are the ones who adopt new technologies the most, while small producers tend to use them less. This underscores the need for future public policies to focus on promoting these technologies among small producers and providing them with the necessary support for their adoption.

Figure No. 47: Positive Impact of the Technology



Another example of a study on impact evaluation of FIRA is related to the issuance of a Social Gender Bond to mobilize resources from the debt market and allocate them to loans for women involved in activities in the agri-food and rural sector, for a total of US$175.6 million over 3 years. The main objective was to expand women's financial inclusion, bolster their productive and labor inclusion, as well as foment female entrepreneurship. Between October 2018 and August 2021, a total of 9,614 women benefited from these resources through loans. FIRA conducted a study to determine whether the credits granted to women made any difference to their later development. To this end, the difference-in-differences methodology was used in the impact evaluation study. This methodology compares two groups of women in two time periods, separated by about two years: one who received the credit and one who did not. After two years, an analysis was made on what their compared economic development had been.

The results of the study indicated that women who received the credit experienced a 15.9% increase in their monthly income compared to those who did not, mainly due to an increase in sales of their products. In addition, it was observed that the percentage of benefited women engaged in productive activities increased by 26.4% compared to the control group. Also, the percentage of beneficiary women who receive payment for the sale of their products increased by 12% compared to the control group, and the percentage of beneficiary women who prepare a budget for expenses on a device increased by 19.2%. In short, these women tend to organize their spending budgets better and have more favorable conditions in their productive environment.

In Peru, **Corporación Financiera de Desarrollo (COFIDE)**[27] is premised on constantly monitoring all the financing it provides, aside from measuring the social and environmental risks inherent to the projects. In its drive toward sustainable finance, COFIDE has ventured into the issuance of thematic bonds. Since 2019, the year in which it made its first issuance of green and sustainable bonds for S/100 billion (US$ 27 billion) each, the resources from the green bond have been allocated to renewable energy projects, including the financing of a hydroelectric plant that benefited more than 450,000 people and avoided the emission of 43,062 tons of CO2 equivalent. On the other hand, with the issuance of the sustainable bond for the same amount, credit to MSEs was boosted, benefiting a total of 13,300 people. It should be noted that this bond, by being sustainable, also included social and environmental components.

[27] COFIDE aims to generate an impact on the sustainable development of the country by providing access to financing and opportunities for Peruvians, mainly in the MSE sector and entrepreneurs. It also has a triple bottom line approach that includes economic, social and environmental aspects. The strategic plan considers three axes: 1) Promoting role, which has to do with everything that impact investment is through the financing of infrastructure projects and productive investment to entrepreneurs (SMEs and startups). To support the latter, they have also included within their programs a new capital fund for innovative ventures that seeks to serve and energize the entire dynamic entrepreneurship ecosystem; 2) Articulating role, as an axis between the public and private sectors. It seeks to play an active role in being able to link and complement the private sector in the execution of all public policy projects aimed at closing social and environmental gaps, within the criteria of ensuring the relevance of being where private banks do not participate, complementing financial activity and long-term financing; and, 3) Executing role, in public programs created and designed to support MSEs, which, as a result of the pandemic, was even strengthened, given that it was in charge of important programs within the entire economic package of support and recovery of the government.

In the environmental ambit, COFIDE supported the conversion of vehicles to natural gas, thus mitigating the emission of 8,000 tons of CO2. In the context of the pandemic in 2021, COFIDE carried out a second issuance of a social bond for S/144 billion (equivalent to US$39 billion), also aimed at the MSE sector and benefiting 11,000 MSEs. A distinctive feature of these issuances is that the rate paid, compared to traditional or corporate issuances, also had a positive outcome; therefore, this benefit was passed on to the end beneficiary. In 2023, COFIDE continued to be active in the thematic bond market, issuing two social bonds, but this time with a three-year deadline. The issuance of both bonds was S/100 billion (equivalent to US$27 billion) each, and focused on credit to MSMEs. In this way, COFIDE has consolidated itself as the main issuer of thematic bonds in the Peruvian local market with all these issuances.

Another crucial point is the financing of infrastructure projects, a sector that presents a significant gap at the national level. According to recent estimates[28], this gap amounts to approximately S/360 billion (US$ 97.4 billion) in the long term, indicating that there is still a long way to go to close it. For this reason, COFIDE carried out an impact measurement of project financing, selecting 15 sustainable projects from its portfolio, which represent approximately 30% of the projects financed. These projects cover areas such as renewable energy, road and airport infrastructure, as well as agroforestry plantations, distributed throughout Peru and including hydroelectric plants, wind farms and photovoltaic panels. The results of this impact measurement revealed that, in the environmental dimension, these 15 projects contributed to avoiding the emission of more than 3.2 million tons of CO2, with 7.1% associated with road infrastructure. In economic terms, more than 10,000 jobs were generated for the population. In terms of the social dimension, improvements were observed in sectors such as health, education and public services, thanks to improved infrastructure, which resulted in time savings. It is well known that connectivity is a crucial factor for the competitiveness of countries, and among Peru's pillars of competitiveness, infrastructure is an area that requires improvement. Overall, these projects benefited approximately 1.3 million Peruvians.

Another important COFIDE program is PRIDER, designed to promote financial inclusion in rural areas of Peru. One of its main instruments is the formation of savings and credit groups known as UNICA, which has had a significant impact in the regions where it has been implemented. In collaboration with CAF, COFIDE carried out an impact study in 2020, with a duration of six years, focused on four provinces in the Ayacucho region that had 120 UNICAS in various localities. This study used an experimental methodology, selecting a random sample of households in both treatment and control locations. The results showed that 23% of households in the treatment areas joined UNICAS, and that UNICAS continued to increase their savings each year (110% compared to the second year, and 42% in the third year). Households in treatment localities experienced improvements in several dimensions, consistent with better access to financial services. The effects observed on investment in women's housing quality, vulnerability reduction, and economic empowerment were significant and consistent with improved access to financial services. It is important to highlight the gender component of this program, as more than 50% of the UNICAS are led by women. This has led to the establishment of the new S/50 million (US$14 million) Rural

[28] Instituto Peruano de Economía (IPE) and Ministry of Economy and Finance (MEF).

Inclusion and Development Fund (FIDER)[29], with this evaluation being one of the key factors for the launch of this fund. In summary, the impact study showed that PRIDER is a program that promotes financial inclusion in the country.

The experience of **Banco de la Provincia de Buenos Aires (BAPRO)**[30] **of Argentina** with impact evaluation began relatively recently. To put this methodology into practice, they first established a knowledge accumulation stage by forming an in-house technical team. Subsequently, they established a cooperation agreement with Banco de Inversión y Comercio Exterior (BICE) of Argentina. Finally, they crafted a future agenda with a series of challenges that the bank identified in terms of impact evaluation.

The initial motivation was the set of credit lines implemented during the COVID-19 pandemic, especially aimed at small and medium-sized enterprises (SMEs). It is recognized that these companies face more difficulties in accessing credit compared to large companies, due to market failures and credit rationing problems. Hence, the bank identified an opportunity for development banking to play a crucial role in providing credit to this specific sector. Although there is literature and theoretical and conceptual elements that support a positive view of development banking, there are also arguments to the contrary, based on criticisms of its efficiency and efficacy. As a result of this situation and controversy, BAPRO considered that development banks could propose the formulation of evidence-based policies.

In the formulation of any project, program or line of credit aimed at supporting SMEs, a series of sequential steps are followed: planning, implementation, monitoring and evaluation. If a development bank introduces a line of credit and cannot demonstrate that it benefited a particular segment as intended, then it must redefine its characteristics or redirect the resources. In the case of BAPRO, in 2023 it carried out its first impact evaluation exercise of a working capital facility granted during the pandemic. This line had the particularity of having a deadline of 24 months, which is unusually long for a working capital line. The methodology used was difference-in-difference, which is essentially a counterfactual method that uses a control group. The results obtained were positive: companies that received this credit experienced a reduction in job loss during the pandemic, between 3% and 6% lower compared to those that did not receive the credit.

After that work on this measurement of the impact of working capital, BAPRO made a new measurement on a **line of overdraft in current account**, which was the first line launched in 2020, when restrictions on mobility were imposed. The results showed positive impacts in terms of job protection.

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[29] The objective of FIDER is to promote the economic development of organizations of rural people through financial education and to foment the sustainable development of rural enterprises.

[30] Banco de la Provincia de Buenos Aires (BAPRO) is a retail bank that operates alongside private banking. It is mainly funded through deposits and is subject to regulatory requirements in terms of liquidity, solvency and technical relationships, just like private banking. It is the second most important bank in Argentina and has a presence in all 135 municipalities of the Province of Buenos Aires.

BAPRO was able to carry out this impact measurement thanks to synergies with other banks, which is a good way to advance this agenda. The results observed, in this case positive, contribute to the body of knowledge in the field. It is also important because it provides an additional tool to support the solvency and raison d'être of development banking.

Aside from these studies, BAPRO plans to carry out two impact evaluation projects, and with the experience acquired, they intend to incorporate in the future, in addition to impact measurement, the implementation of a development measurement system. Basically, they seek to develop metrics for measuring banking performance that are not equivalent to those used by private banking, which focus exclusively on profitability and efficiency. This initiative is a way to provide them with support and to be able to measure the performance of public banks in a different way from the impact evaluation methodology. The objective is to examine how public bank credit lines can incorporate development-related aspects. For example, whether the credit is specifically destined for small enterprises or enterprises of a certain size, or for enterprises in a specific region or sector, or if gender considerations are also taken into account in the provision of credit.

Fomento Paraná, of Brazil, is one of the development finance institutions of the State of Paraná[31], and is part of the Paraná development system, which comprises three institutions, including Banco Regional de Desenvolvimento do Extremo Sul (BRDE) and Invest Paraná. Each of these entities has a specific purpose to serve different patrons. In the case of Fomento Paraná, it focuses on infrastructure financing for municipalities, providing funds for roads and public facilities. It also offers productive microcredits aimed at MSMEs, in an initiative similar to that of Banco do Nordeste, with a special focus on gender issues. This is evidenced through the Paraná Women's Bank Program. It also plays an important role in the management of several regional development funds.

The debate on the role and purpose of DFIs in Brazil has gained great relevance at the national level in recent years, and Fomento Paraná has not been foreign to this discussion. It was in this context that the institution realized the need to better understand the raison d'être of a DFI, which led it to initiating some studies on the subject. One of the first studies focused on the contribution of the institution's credit portfolio to the SDGs, carried out in collaboration with Associação Brasileira de Desenvolvimento (ABDE). This study provided some institutions with a methodology to assess the impact of their portfolio in relation to the SDGs.

[31] It is the fifth largest state in Brazil, with a territory that exceeds Uruguay in size, and a population of more than 11.5 million inhabitants. It has 1,708,685 active companies and a productive and business structure similar to that observed in other countries, with a predominance of services, commerce, industry and MSMEs. The State is comprised of 399 municipalities and is internationally recognized for its expertise in the food chain, agro-export and agribusiness, as well as for its automotive industry and, more recently, for tourism services.

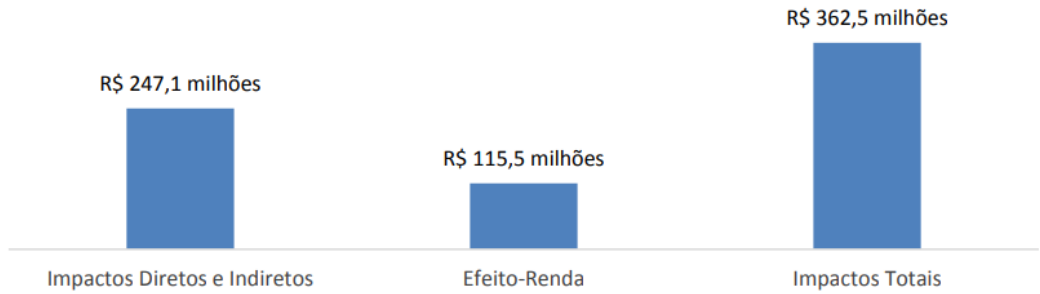
The first step in the application of the methodology was to identify the most relevant Sustainable Development Goals according to the institution itself. Then, measuring the institution's portfolio in relation to these SDGs. The third step involved consulting the state government on which SDGs they considered a priority for their territory. Subsequently, the data was cross-referenced between the priorities of the portfolio in terms of SDGs, the priorities of the regional territory and the priorities of the institution itself. This exercise made it possible to understand the institution's position in order to determine to which of the 17 SDGs it could contribute most effectively.

SDGs related to work, economic growth, industry, infrastructure, gender equality, poverty reduction and clean energy emerged as important issues. In response, the entity implemented specific programs to address these goals. They also identified the importance of social equipment in reducing inequalities, although the relevance of economic factors, as a whole, was more emphasized. Therefore, the entity approved this as a guideline and the main driver in terms of objectives. The next step was to cross-reference the institution's portfolio with the SDGs. To this end, a survey was carried out, by sector, of each of the credits in the portfolio. This made it possible to assess the portfolio's contribution to each SDG, both in positive and negative terms, identifying which SDGs were favored at the expense of others.

From this process, the institution gained a clear understanding of how much of their portfolio aligned with their priorities, which allowed them to identify areas for improvement and strengthen their coordination with the state government. They also gained a better understanding of the government's thinking in relation to the SDGs, as well as the identification of gaps or voids to be filled. For example, while the state government tends to focus on education, Fomento Paraná can contribute indirectly in this area, but may not be the main actor. However, other challenges were also identified that were within the scope of the institution's financial activities, which involved focusing on those areas that were its specialty. The main result of this exercise was highly positive for the institution: it was found that 92% of its portfolio was already aligned with the promotion of the SDGs.

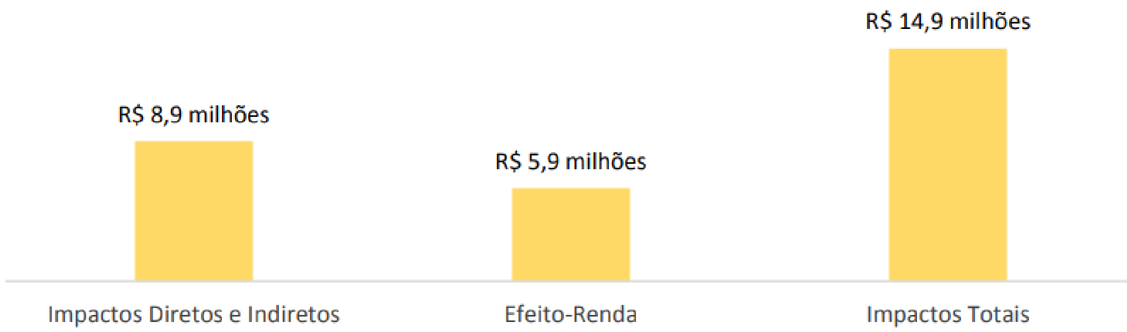
Another impact measurement study, conducted in collaboration with Instituto Paranaense de Desenvolvimento Econômico e Social (IPARDES), used the input-output matrix methodology to estimate the effects on income, employment, taxes, and GDP in Paraná. These are some of the results obtained: in 2022, there was an impact on the product of R$362 million (US$ 71 million), an increase in tax collection in the state of Paraná of almost R$15 million (US$ 2.9 million), an increase in the total payroll of more than R$150 million (US$ 29.2 million) and an increase in the number of jobs of more than 5,000.

Figure No. 48: Impacto anual da concessão de crédito pela Fomento Paraná – Produto Interno Bruto Paranaense



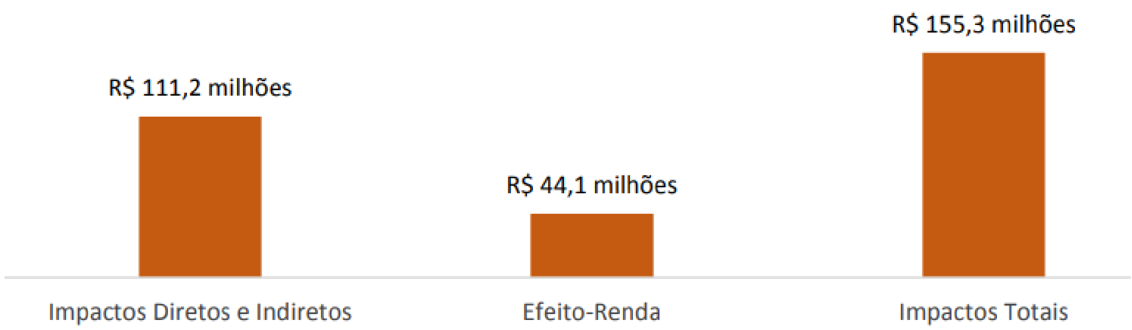
FONTE: IPARDES
NOTA: Considerando montante de financiamentos de R$ 370.131.275,87. Impactos a preços constantes de 2022.

Figure No. 49: Impacto anual da concessão de crédito pela Fomento Paraná – Arrecadação de ICMS no Estado Do Paraná



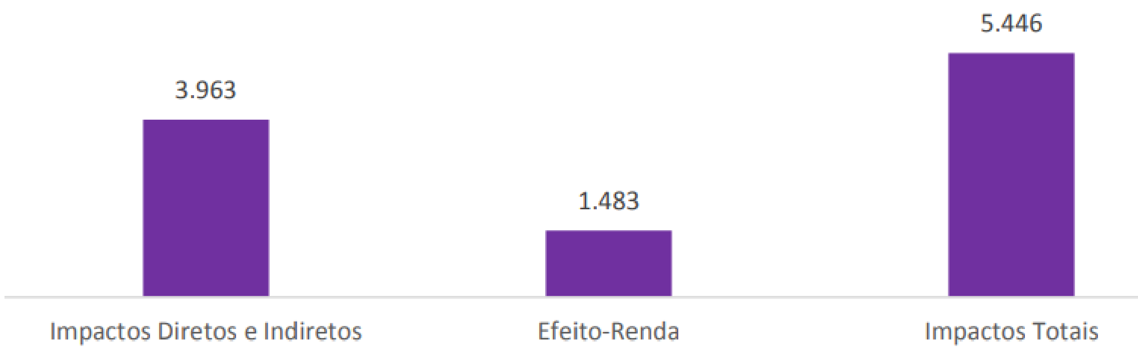
FONTE: IPARDES
NOTA: Considerando montante de financiamentos de R$ 370.131.275,87. Impactos a preços constantes de 2022.

Figure No. 50: Impacto anual da concessão de crédito pela Fomento Paraná – Remunerações (massa salarial) no Estado Do Paraná



FONTE: IPARDES
NOTA: Considerando montante de financiamentos de R$ 370.131.275,87. Impactos a preços constantes de 2022.

Figure No. 51: Impacto anual da concessão de crédito pela Fomento Paraná – Número de ocupações no Estado Do Paraná



FONTE: IPARDES
NOTA: Considerando montante de financiamentos de R$ 370.131.275,87. Estimativa do aumento absoluto de ocupações formais e informais.

Fomento Paraná, based on their experience in measuring impacts, have reached the following conclusions: 1) Given the size of the institution, they considered it crucial to establish alliances with other development finance institutions to share capacities, rather than creating an in-house team from scratch. This allowed them to take advantage of the work done by ABDE and IPARDES; 2) They recognize that they already have a large amount of data, but lack a clear strategy to use it more effectively; 3) They consider that the discussion about the validity of a development agency should not exist, given that its work is fundamental for economic and social progress; 4) They see an ample margin not only for collecting data for evaluative purposes, but also for identifying and addressing future challenges; 5) They are setting out to better understand this data and use it to influence the decision-making process. They expect the results of their studies to change the way decisions are made and provide quality information about the impacts of their activity. They also consider that the new technologies will facilitate the accomplishment of these analyses, and it could be relevant to develop internal capabilities in order to take maximum advantage of these tools.

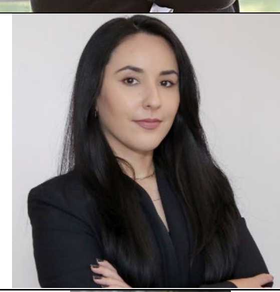
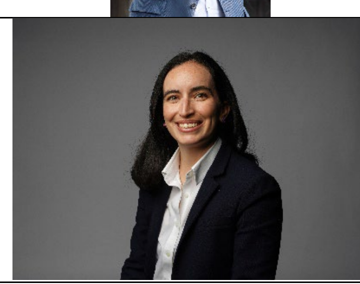
ANNEXES

SPEAKERS & PANELISTS

General/introductory presentation

Romy Calderón Alcas Head of the Economic Studies and Information Program ALIDE.	

Panel 1: Alignment with Regional and Global Initiatives and Objectives

André Godoy Executive Secretary Associação Brasileira de Desenvolvimento (ABDE) Brazil	
Kesia Braga Project Manager United Nations Development Programme (UNDP)	
Philippe Serres Regional Director Andean Countries French Development Agency (AFD) France	
Aurea Fuentes, Representative of the IDB-ALIDE Group Alignment with the Paris Agreement (GTAAP). Inter-American Development Bank (IDB) Washington, D.C, USA	

Lavern McFarlane Senior Economist CARICOM Development Fund.	
Blanca Navarro Chief Economist and Director of Strategy and Sustainability Instituto de Crédito Oficial (ICO) Spain.	
Ricardo Santos Economist European Investment Bank (EIB).	
Gabriel Ferraz Aidar Chief Economist and Head of the Planning Division Banco Nacional de Desenvolvimento Econômico e Social (BNDES) Brazil	

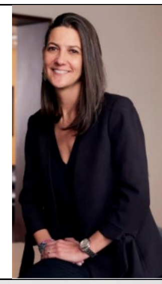
Panel 2: Infrastructure and Urban Development: Public-Private Cooperation

Wilson Bley Lipski Director Banco Regional de Desenvolvimento do Extremo Sul (BRDE) Brazil	

Francisco Carbajal Chairman of the Board of Directors Fondo MiVivienda Peru.	
Laura Peña Vice President of Planning Financiera de Desarrollo (FINDETER) Colombia.	
Carlos Rivera General Manager Banco de Desarrollo del Ecuador (BdE). Ecuador	
Daniela Cuéllar Head of the Sustainability Planning and Strategy Unit Banco Nacional de Obras y Servicios Públicos S.N.C. (BANOBRAS) Mexico.	

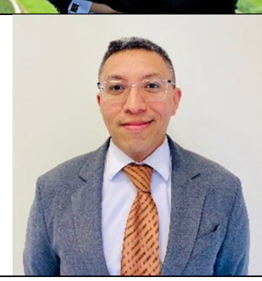
Panel 3: Technological Development and its Contribution to the Improvement of Value Chains to Boost Trade

Javier Valencia Chief Economist Nafin/Bancomext Mexico.	

María José Naranjo Vice President of Corporate Strategy Banco de Comercio Exterior de Colombia (BANCOLDEX) Colombia.	
Guillermo Diaz Senior Economist CAF-Development Bank of Latin America and the Caribbean.	
Luc Lapointe CEO & Founder, The BC.lab. Canada	

Panel 4: SMEs, Financial Inclusion and Gender Equality

Paulo Câmara President Banco do Nordeste do Brasil (BNB) Brazil.	
Henry Anderson CEO Development Finance Corporation (DFC) Belize	
Armando Navarrete Chief Economist Banco Centroamericano de Integración Económica (BCIE).	

Edwin Araque CEO Banco Hondureño para la Producción y la Vivienda (BANHPROVI). Honduras	
Cinthya Morera Segment Director Banco Nacional de Costa Rica (BNCR).	
Verónica Toapanta Financial Business Manager Corporación Nacional de Finanzas Populares y Solidarias (CONAFIPS) Ecuador.	
Daniel Calderón Sustainable Project Management Executive Corporación Financiera de Desarrollo (COFIDE) Peru.	
Abel Ávila Head of the Monetary Policy Design and Conduct Division Banco Central de Honduras.	

Panel 5: Sustainable Agriculture and Food Security

Mariana Escobar, Representative in Peru, Food and Agriculture Organization of the United Nations (FAO).	

Luiz Claudio Lessa President Banco da Amazonia Brazil.	
Ariel Zabala General Manager Banco de Desarrollo Productivo (BDP) Bolivia.	
Lorena Sánchez Campanella Economic and Sectoral Analysis Advisor Banco de la República Oriental del Uruguay (BROU).	
Arnaldo Labarra Head of the National Financial Assistance Division Instituto de Desarrollo Agropecuario (INDAP) Chile.	

Panel 6: Impact Evaluation of Public Development Bank Financing

Alan Elizondo Director General Trusts Established in Relation to Agriculture (FIRA) – Banco de México.	

Daniel Calderon Sustainable Project Management Executive Corporación Financiera de Desarrollo (COFIDE) Peru	
Carmen Fernández Inter-American Development Bank (IDB) Washington D:C, USA	
Mariano Beltrani Manager of Economic Studies and Risk Management Banco de la Provincia de Buenos Aires (BAPRO) Argentina.	
Gustavo Mattana, Strategic Planning Advisor Agencia de Fomento do Paraná Brazil.