



"Development Banking, Challenges of the Present and Challenges of the Future"

DECLARATION OF LIMA

The Latin American Association of Development Financing Institutions (ALIDE), an international organization that represents the development banking in Latin America and the Caribbean, based on the deliberations of the 48th Ordinary Meeting of the General Assembly around the central theme of the meeting held in the city of Lima, Peru, from May 30 to June 1, 2018, declares the following:

1. Using the capacity of persuasion or power that the development banks have when providing financing, to get the enterprises, whether they be micro, small, medium or large, to adopt good environmental protection practices and act under ethical and moral principles. That is, development financial institutions should be extremely careful and avoid supporting enterprises or people who carry out their activities using illegal means and harmful to the environment.
2. Continuing developing innovative instruments to confront the challenge of financial integration and inclusion, not only of individuals, but also of projects and territories, which do not have access to financial markets, in order to integrate them into the formal productive circuits, promote their development, improve the welfare of individuals and mobilize capital for investment within our countries, in territories with an inadequate, scarce or nonexistent financial offer.
3. Promoting the strengthening, modernization and internationalization of micro, small and medium enterprises. Particularly, their relationship in the markets, using electronic media such as e-commerce for the distribution, sale, purchase, marketing and provision of information about products or services through the Internet, considering that in the last year it was used by about 1 600 million users, spending close to two billion dollars, a figure that is estimated could double in 2020, with an annual average growth rate of 15%.
4. Internalizing a permanent culture of change of business models in the function and role of development financial institutions, in light of the permanent technological changes that are changing the relationship with customers. Additionally, promoting alliances with technology companies or fintech, which facilitate greater coverage of the action of our financial institutions at lower cost and more quickly. Seeing them as allies and not competitors.
5. Analyzing different possible scenarios for the impact of the application of the new technologies in our countries, in order to make progress in the design of financing instruments and programs, both for traditional productive activities and for new activities that arise as a result of technological advances, of changes in international markets, in the consumption habits of individuals, due to the effects of climate change and the accelerated urban concentration.
6. Seeking a balanced design, which allows reconciling our social or development objective with the preservation of the economic and financial stability, for which we commit ourselves to fulfilling institutional objectives, defining indicators that show the impacts of their actions on the economy, on the growth of the economy, the sector or sectors that their mandate indicates, employment of labor, use of natural resources, increase in exports, financial inclusion. Also, considering the economic and financial efficiency indicators that show their profitability on assets and equity, their portfolio status, liquidity management and solvency status.
7. Recognizing that in the current context characterized by the decrease in capital flows into our countries and in fiscal restrictions, the current development financing model proves to be insufficient for having the necessary amount of resources to finance the sizeable needs for productive, social investment and for the adaptation to climate change. Consequently, we will work on the design and use of new funding instruments and modalities (blended finance, green

bonds), and on the mitigation and allocation of risks to mobilize the participation of private capital.

8. Being aware that the challenges of development financial institutions are multiple and diverse, depending on the objectives of the country and the nature of each institution. Even so, a common trait is that the banks must be in permanent change, it being understood that, as public policy instruments, they need to remain relevant. This has to do with the ability to generate innovations in the market or operate countercyclically. For that purpose, they must identify new areas or sectors to be developed and must be agents for change. By having a privileged position, they can identify cutting-edge sectors that allow our countries to compete in the future, to induce an environmentally-friendly development model, to develop the potential of young people and entrepreneurs, making it possible for their ideas and projects to translate into businesses.
9. Committing ourselves in the field of ALIDE, Latin American Association of Development Financing Institutions, to seeking, jointly, solutions to the financing needs in the region, promoting trade, business and mutual cooperation in order to stimulate intraregional trade, which, in comparative terms, is still very low, around 15%; while in other regions it is almost five times greater. Intraregional trade in the European Union is around 70%; in Asia, 54%; and North America, 30%.
10. Sharing good financial and management practices on the basis of the cooperation principle, the fundamental basis of the *raison d'être* of our Latin American Association, with the purpose of generating a greater cohesion and strengthening the action and participation of the financial institutions in the economic and social development in the region.
11. Strengthening relationships with extra-regional/national development banks, international financial organizations, to learn about other experiences in the area of development financing, strengthen capacities, promote cooperation and joint ventures and continue with the international projection of ALIDE to other regions.
12. Recognizing, in its 50th anniversary, our Latin American Association and committing ourselves to providing all our support, according to our capacities, to grow it and boost its capabilities to provide more and better services to all of us who are part of it, and that it remain the forum par excellence of development banking in Latin America and the Caribbean.
13. Finally, expressing special recognition to Corporación Financiera de Desarrollo S.A. (Cofide) and the members of the liaison committee of Peru: Fondo Mivivienda, Banco Agropecuario (Agrobanco), Banco de la Nación, and Superintendence of Banking and Insurance and Pension Fund Administrators; and to the ALIDE member development financial institutions that sponsored this Assembly: French Development Agency (AFD, as per the acronym in French), Inter-American Development Bank (IDB), CAF-Development Bank of Latin America, Nacional Financiera S.N.C. (Nafin) of México; Banco de Inversión y Comercio Exterior S.A (BICE) and Garantizar SGR of Argentina; to the corporate sponsors S&P Global; Thompson Reuters, Pacific Credit Rating (PCR) as well as the Government authorities and the citizens of Peru, for the collaboration and the warm hospitality provided during the holding of this 48th Ordinary Meeting of the General Assembly of ALIDE.

Lima, Peru, June 1, 2018