48th MEETING OF ALIDE'S GENERAL ASSEMBLY
Lima, Peru, May 30th to June 1st, 2018

ANNOTATED AGENDA

Contact: Mr. Romy Calderon, Chief Economic Studies
General Secretariat of ALIDE, Telephone (51-1) 203-5520 ext. 228, email: rcalderon@alide.org

KEY TOPIC: Development Banking, Challenges of the Present and the Future

The ultimate goal of public policies is to improve the welfare of people. This implies providing the conditions and opportunities for people to realize their ideas, develop their undertakings, live in safe cities or territories, have the basic infrastructure and services, have access to quality education and employment, among other aspects of vital importance for the development of a society.

Precisely, all this constitutes the challenges for the States and their institutions, among which are the development banks, which, by their nature, must finance long-maturing or greater-risk projects: smaller businesses, new activities or products which are little-known within the financial market; far-removed localities or territories that do not have a financial offering; and, in general, catering to the demand for financing activities in sectors and territories that are potentially profitable, both economically and socially; as well as identifying business opportunities and orienting the States in the financing policies for development.

On this occasion, in ALIDE's General Assembly we shall focus on three aspects that are related to the previous statement: artificial intelligence and the leap in technological innovation to drive the transformation of the Latin American businesses and economies, fostering the incorporation of the new disruptive technologies; the strengthening of the resilience of the cities and rural areas in the face of extreme events caused by nature; and the financial inclusion and integration of people , but also of sectors, projects, new products and territories.

The objective is to find answers to some of the following questions: how are these facts and tendencies changing the world and impacting the development of societies and economies? How does artificial intelligence drive the benefits and innovation in the agricultural and rural industries and activities? How resilient are the Latin American cities and rural areas? How to convert artificial intelligence and resilience in our cities and territories into opportunities for development? How can the operating method and the products and services offered by the development banks change, as a result of the application of the digital technologies and communication? What ideas, mechanisms and experiences at the international level can Latin American Development Banking adopt in order to contribute to financial inclusion for the development of the region?

I.   Artificial Intelligence and Technological Leap: Configuring a Different World

The potential applications of artificial intelligence (AI) —understood as the ability of machines to perform processes— are infinite in sectors such as transport, medicine, industry and the financial sector. Little by little, we perceive the start of a revolution in this field. Thus, it is particularly attractive in times such as these, with a marked drop in the ability of the traditional capital production factors —the capital marginal efficiency rate has been decreasing since fifty years ago— and in terms of work. In this context, AI is seen as a third production factor and could exceed the physical limitations of capital and work in order to open new sources of economic growth.

Estimates conducted in ten developed countries indicate that AI could duplicate the growth rate of GDP and increase the productivity of work between 11% and 37%. More global calculations estimate that China and the United States would benefit the most with more than 70% of the benefits resulting from the incorporation of AI in the production processes toward 2031, and Latin America and the Caribbean would obtain barely 3.2%.

In this scenario, there are questions of vital importance. How to confront and promote in Latin America and the Caribbean the applications of artificial intelligence in order to raise productivity and economic growth? How will the distribution of revenue be affected? What opportunities will there be for people from lower economic levels, especially for those who don't have the skills required for the new types of employment? What should be the role of the State? How must the action of the development banks be oriented? What are the possibilities, trend, and potential for development of AI in the financial industry (blockchain, fintech, biga data, virtual currencies)?

II.   Resilience of the Cities in the face of Extreme Events: Counter-Cyclic Actions of Development Banking for a Fast Recovery

Until last year, it was estimated that by 2030 climate change and natural disasters would generate losses of US$314 000 million per year in cities throughout the world, while 77 million people would live and work in poverty conditions. However, the losses produced in the year 2017 by hurricanes in North America and the Caribbean, the intense rains and floods in South America —Peru, Ecuador and Argentina— and the earthquakes in Mexico, exceed this amount of losses.

If, as is being forecast, these phenomena will be increasingly frequent and destructive —making habitual the interruption of basic services, means and routes of transportation; affecting the normal development of the production units; and generating food shortages—, Latin American cities must take the path to becoming resilient and protecting their inhabitants, their assets and ensuring the maintenance of infrastructure functionality in the face of extreme events. In general, they must be capable of increasing their resilience or ability to recover from these eventualities.

Seen from the economic point of view, making the cities resilient is an opportunity thanks to the impact that the investments would have as a source of growth and thanks to the savings that preventive action represents. It is estimated that for every dollar invested in prevention, between five and ten dollars are saved in economic losses. Resilience in the cities takes on a larger sense in Latin America and the Caribbean, if we consider that in 2013 it had 80% of its population concentrated in the cities and it is expected that this figure will reach 90% in the next decade.

What are the characteristics for a society to be considered resilient? What to do in terms of development of urban infrastructure and planning? How are investments affected whether a city is resilient or not? What is the role of national, regional and multilateral development banks? What initiatives have these institutions implemented and what have their results been?

III.   Financial Inclusion and Integration of People? Yes, but also of Projects, Businesses and Territories

Financial inclusion and integration goes beyond the inclusion of people. It must consider the smallest businesses without credit standing, new activities or products which are little known in the financial market, projects with high social profitability, far-removed localities or territories that don't have a financial offering due to their remoteness, lack of infrastructure, scattering of the population, and which are perceived as having little profitability or being highly risky.

The objective is to examine and exchange the experiences of Development Banking as driver of financial inclusion and integration, as well as various financial and non-financial instruments and schemes developed to fulfill some of their main functions: creating markets, enabling access to financing for businesses, activity projects, new products, territories far-removed from the main production and consumption centers and integration of local governments with banking services. Also, analyzing financial inclusion understood as a mechanism for internal integration and spreading of the new banking technologies and making them available to different social and economic strata, through a sustainable financing architecture.

What new financial or non-financial instruments or plans are being implemented to advance inclusion in financial integration? What results have been achieved from experiences in going beyond personal financial inclusion? How important are the new technologies showing themselves to be in facilitating access to financial services? How are local governments being bankarized? Is artificial intelligence being used to facilitate financial inclusion? How important are fintechs as providers or facilitators of access to financial services? Are fintechs a good development bank ally for moving ahead with financial inclusion and integration?