ALIDE

Latin American Association of Development Financing Institutions

SUMMARY OF THE TECHNICAL DOCUMENT

"THE COUNTER CYCLICAL ROLE OF DEVELOPMENT BANKING TO FACE THE INTERNATIONAL ECONOMIC CRISIS"

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"THE COUNTER CYCLICAL ROLE OF DEVELOPMENT BANKING TO FACE THE INTERNATIONAL ECONOMIC CRISIS"[1]

TABLE OF CONTENTS

[1] Technical Document presented in ALIDE 39TH Regular Meeting of the General Assembly, Curaçao, Netherlands Antilles, May 19 and 20, 2009.

I. MAIN GENERAL MEASURES OF NATIONAL POLICIES AND GLOBAL INITIATIVES

The current financial crisis has called to reflection not only on the operation of the markets, but also on the role of the State in regulation the financial system and its transparency, among other topics. This means that the action of the State should be directed to help the financial markets to operate increasingly better, and there is not doubt that their activity is fundamental in times of crisis when the operation of the payment and credit mechanism is in danger.

Stability is threatened mainly by the opportunistic behavior that result in excessive risks and because in financial markets, when intermediaries assume an excessive risk, they jeopardize not only their own liquidity and solvency but also that of the other actors in the market[2]. This happens because small investors tend to generalize financial problems observed in one bank to the whole system, generating panic and bank runs, and even the banks themselves tend to be more careful to make operations among them, and thus reducing substantially the availability of lendable funds and eventually interrupting the financing of productive and social sectors.

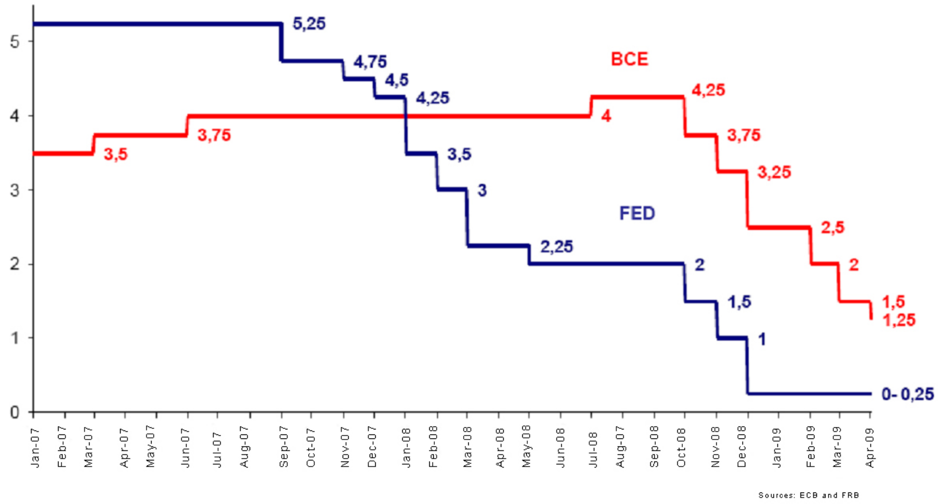
For this reason, the governments around the world have announced the implementation of a series of policies, compensatory programs and negotiated agreements to help face this crisis. Some are based on budgetary extensions, and others expressing the need and interest to resort to the international cooperation to obtain additional resources to concrete initiatives and programs intended to keep in operation their productive sectors and/or protect their more vulnerable sectors.

Among the series of tools that, on a greater or lesser extent, have started to be implemented we have:

a) *Low-rate monetary policy*. The United States and Japan have already set their reference rates at around zero. The rest of the countries will continue to follow this downward trend. Because the latter leaves little or no margin for action, liquidity has begun to be injected into the economies. The operations consist of the purchase by monetary authorities of government securities, combined with direct credit lines for enterprises.

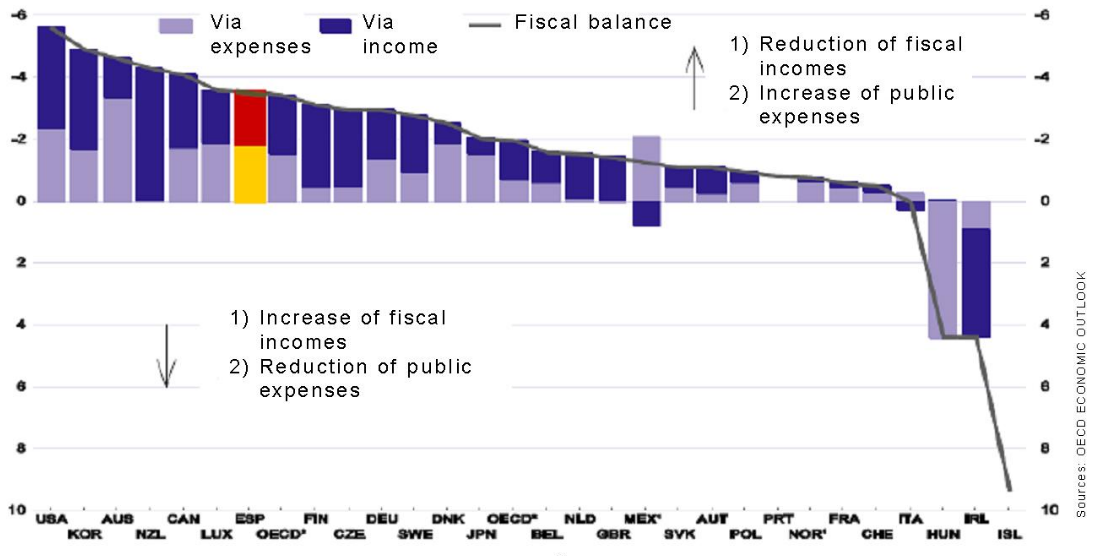
[2] Chaves, Rodrigo and González-Vega, Claudio (1994). "Principles of Regulation and Prudential Supervision and their Relevance for Microenterprise Finance Organizations"

U.S.A. and Eurozone Monetary Policy



b) Fiscal stimulus policies for economic activity: These essentially involve reducing taxes and increasing public investment. In this connection, the IMF recently recommended that each country should invest at least 2% of its respective GDP for this purpose.

FISCAL STIMULUS



c) Rescue plans for financial institutions. The principle is similar for all countries: new institutions should not be allowed to go bankrupt.

Other measures are the nationalization of private banks, incentives for the purchase or merger of private banks experiencing problems, equity participation in bank capital, deposit insurance for the entire banking system, loans to banks with liquidity problems, restructuring of the investment banking system, purchase of portfolios of doubtful debts, reduction of reserve requirements, tax reduction and/or exemption on foreign credit lines, infrastructure investment programs, public bank capitalization, and granting of guarantees for public banks.

RESULTS OF G-20 SUMMIT IN LONDON[3]

Main measures adopted:

(1) Provide the International Monetary Fund (IMF) with an additional half a billion dollars to strengthen its role as international moneylender. In this way, its funds go from US$250,000 to US$750,000 million, money that will help numerous countries that are having economic difficulties because of the crisis. Additionally, the G-20 has agreed to give more relevance to the developing countries within the organization. Therefore, they have established January 2011 as the deadline to change their shares of power. The same thing has happened in the case of the World Bank with 2010 as the deadline.

(2) The World Trade Organization (WTO) indicated that 2008 was the first in twenty-five years that international trade shrank. The key to leave the crisis behind is to reactivate such trade. For this reason, the G-20 decided, that from the billion dollars budgeted in the summit; US$250,000 million would be destined to reactivate global trade and US$100,000 million for international development banks.

(3) Not to fall in protectionist measures to face the crisis locally. Two of the most important commitments made are not to devaluate domestic currencies to compete unfairly, and “minimize” the effects of domestic banks salvage plans that may involve unfair competition with foreign operations.

(4) Impose sanctions to tax havens the refuse to supply information on alleged tax evaders. In this way, the G-20 has decided to do away with tax havens in the “blacklist” of the Organization for Economic Cooperation and Development (OECD).

(5) A new Financial Stability Board will be created to work with the IMF to establish an early warning mechanism in case of episodes of financial stability.

(6) There will be more regulation on hedge funds and credit agencies.

(7) General agreement to clean up banks toxic assets.

(8) The help to the Third World to meet the Millennium goals will be channeled through the World Bank, the IMF and the rest of international institutions that watch for those countries that did not participate in the summit.

[3] The G-20 is formed by the European Union, Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, México, Russia, Saudi Arabia, South Africa, South Korea, Turkey, The United Kingdom and the United States.

II. ROLE AND ACTIONS OF DEVELOPING BANKS IN THE CONTEXT OF THE INTERNATIONAL CRISIS

The responses and actions to face the impact of the global crisis have demanded mainly the direct intervention of the States to support financial markets and avoid a larger collapse. It is now evident that the State is not the leave the market to operate without restrictions, specially the financial market, and that it plays an important role in regulation and supervision, creating the conditions for the development of financial products and services, and injecting resources in this time of economic downturn.

The quick response of governments and the actions in the fiscal and monetary fields have been oriented to lessen the mechanisms of the crisis spread. An important role has fallen on public banks in sustaining long-term credits and financing. In fact, together with general policy measures, governments have taken a series of actions to offset adverse economic effects of the international crisis over the domestic economy, and many using their development financing institutions as their executor branch.

In this context, the presence and action of development banking in its condition of agent of financial public policies is more relevant in fulfilling its anti cyclical function without losing sight of the long term and a permanent policy of income distribution. In the short term, it tries to help countries to overcome the financial crisis, by making larger resources available to the productive and social sectors. In this way, financial institutions have granted new credit lines with funds provided by the State for the industrial, agricultural and housing sectors, SMEs, international trade, infrastructure, and others. Other actions include increasing the level of indebtedness for financial intermediaries to provide them with more financial resources, provide guaranties of title emissions made by the companies, constitute funds for infrastructure, debt restructuring, and extending terms, offer preferential credits to specific segments, such as urban and rural small enterprises, and for purchasing social houses.

It is indisputable that development banking has a more prominent role in inclusive development and in the support of productive sectors, not because somebody had a brilliant idea, but because the dynamics of reality demanded it. This situation, however, generates a greater pressure to solve short-term situations, and it is here where banks have to face their commitment with sustainable and inclusive development in the medium and long term.

On the other hand, efficient counter cyclical policies require a sufficient amount of financial resources, as well as the establishment of different forms of contingency credit and the development of a quick borrowing capacity in international markets. Therefore, it is necessary that development banking cooperate with regional development banks, as well as with the different domestic financial agents.

It is clear, then, that for development banking – particularly wholesale banking – to play its counter cyclical role in providing financing, it cannot act in isolation, but integrated in an organic set of measures and actions, of course, together with the private sector, in order to ensure sustainability of financing flows, investment and trade. Some recent experiences in our countries are explained below.

ARGENTINA

The government of Argentina launched a "contingency plan" that will rest on loans from Banco de Inversión y Comercio Exterior (BICE) and the auction of enterprise loans at an 11% rate. The package will be implemented through different credit lines and provides for a $13,200 million (some US$3,900 million) injection to carry out a plan for incentivizing production, investment, labor, employment and consumption, in order to alleviate the effects of the international crisis. The main applications of this fund are: (1) a US$1,015 million line for consumer loans, with a maximum of $5 thousand pesos (US$1,450) per beneficiary; (2) US$900 million for the automotive sector to maintain its level of activity; (3) US$365 million for export pre financing and working capital for the industry and other $495 million for the agricultural sector; (4) US$1,015 million for small and medium enterprises (SMEs). In addition, US$190 million would be oriented toward the purchase of trucks and utilitarian vehicles, for the credit promotion measures to reach the productive sector.

The plan envisaged export pre financing instruments to be implemented through the BICE bank and a series of loan placements to be auctioned in the market for enterprises offering the smallest difference between the rate they should pay for this money (11% a year) and what they would charge their customers. In order to have access to these one-year loans, enterprises must commit themselves not to reduce their employee payrolls. In addition, Banco Nación lent US$1,300 million, of which about US$460 million targeted SMEs.

In turn, Banco de la Provincia de Buenos Aires (BAPRO) decided to cut mortgage interest rates from 20% to 15% a year. The Argentinean government created, as well, a Ministry of Production to promote foreign trade.

BRAZIL

On December 11, the Brazilian government announced a package of measures to alleviate the credit shortage produced by the global financial crisis. The plan includes reductions in income tax and in taxes on automobile purchases and consumer loans, for which the State will not collect nearly US$3,500 million in 2009. The government is also trying to help the automotive industry, considered the world sixth most important one, and which has seen a drastic drop in sales over the country after three years of steady growth.

Principal sector policies:

- Energy sector: US$5,100 million increase in the borrowing capacity of the public oil company Petrobrás together with Banco Nacional de Desenvolvimento Económico e Social (BNDES), to guarantee the rate of planned investments.
- Agricultural sector: US$6,300 million in assistance, with US$2,150 million in advance resources provided by Banco do Brasil; US$2,350 million increase in resources banks should allocate to the agricultural sector; increase in the compulsory deposit rate on rural savings from 65% to 70% , that is to say, US$1,100 million; use of foreign exchange reserves to finance the rural sector through "trading companies"; use of the US$215 million in constitutional funds; US$435 million in assistance to agricultural cooperatives; and an allocation of US$150 million from the Worker Security Fund's resources for family agriculture.
- Construction and Housing sector: The announcement of a plan for the investment of more than US$123,000 million in housing over the next 15 years; and the creation of a real estate credit line for civil servants (including officers of public enterprises and partially government-owned corporations), as a way to promote civil construction. Banco do Brasil and Caixa Económica Federal will grant real estate loans at lower than market rates.

In order to complement measures being taken by the government, the ***Banco Nacional de Desenvolvimento Econômico e Social (BNDES)*** increased its financing lines in various productive sectors. In the *export sector*, it granted a line of an additional R$5 thousand million (some US$2,120 million) to finance pre-shipment operations that can be used for capital and consumer goods. In the case of consumer good financing, the upper limit per economic group was raised from US$50 million to US$150 million. *For the trade and services sector*, it approved the creation of a new credit line to finance the working capital needs of Brazilian enterprises. This Special Credit Program (PEC) has a US$2,550 million budget and will be in effect until June 30, 2009. For the *cooperatives sector*, it approved the renewal of the Credit Union Capitalization Program (PROCAPCRED) that will run until the end of 2009 and raised its budget to US$255 million, of which US$127.5 million (the program's original budget) had already been used by early 2008, during the Program's first phase. In this way, the Program launched in mid 2006 will have a larger capacity to help strengthen the equity structures of credit unions by financing their customers.

In February 2009, the Brazilian government placed at the disposal of BNDES additional resources for more than US$45 thousand million. Therefore the Bank could have a total of US$75 thousand million in 2009 for loans to companies. The Brazilian Treasury would use their own resources and would issue movable debt to obtain those resources.

Additionally, BNDES has announced that the rules for investment and working capital loans have been softened, and the specific financing for used work vehicles have been extended. With this purpose, the bank opened a line of credit with resources from Fondo de Protección del Trabajador for the companies selling used cars, for up to US$560 million.

With regards to micro, small and medium sized enterprises, BNDES improved the financing conditions of the BNDES Card, extending the limit of financing, which went from US$105 thousand to US$210 thousand, reduced interest rate from 1.13% to 1% a month and extended repayment terms from 35 to 48 months.

Finally, BNDES will have US$250 million available from Japan Finance Corporation (JFC), to foster the development of Brazilian infrastructure.

In turn, the **Caixa Economica Federal (CEF)**, reduced the interest rate in an average of 10.7% to 20 credit lines granted to individuals as well as to companies, in order to mitigate the impacts of the financial crisis.

The new rate in consumer credit would mainly benefit the purchase of cars, allocated loans, and Construcard Caixa, that finances building materials. For companies, the largest reductions are for working capital and income advance. The rate for allocated loans, for example, decreased from 2.35% to 2,07% a month.

Purchase Credit Portfolio from Other Banks

By means of a presidential measure (MP 443), the Brazilian government oriented the law that allowed CEF as well as Banco do Brasil (BB) to purchase partial or full participations in financial services companies without the explicit authorization of the Congress, in order to avoid problems arising from the malfunction of credit markets.

In this sense, CEF will be able to purchase R$4 billion (US$1,685 million) in credit portfolios from other banks this year and the same amount in 2010. The objective of the measure is to increase the resources available to small and medium sized banks that are facing a lack of liquidity due to the international financial crisis. According to CEF, portfolio acquisition reached in 2008 to around R$1 billion (some US$420 million).

In turn, **Banco do Brasil** acquired, on November 20, Nossa Caixa, the twelfth financial institution and on January 9, 2009, purchased half of Voltarim stock. This was the tenth bank in Brazil, according to December 2007 Central Bank ranking. With the two operations, Banco do Brasil will disburse a total amount of R$9,6 billion (US$4.40 billion).

CHILE

In mid October, the Chilean government launched a plan to cushion the effects of the global crisis that focuses on supporting the financial sector, exporters and small and medium enterprises. The plan will channel funds primarily through Corporación de Fomento a la Producción (CORFO) to SMEs whose credit lines have been impaired, providing them with long-term financing at rates between 10% and 15%. The more than US$850 million financing of these measures will have a direct impact totaling over US$1,800 million, and will have the following applications:

- *Support the export sector*: CORFO is implementing a Bank Loan Backing Program for Exporters (COBEX) that guarantees 50% of bank export loans. The intention is to increase the coverage of this instrument by raising its resources by US$50 million, thereby making it possible to increase guaranteed loans by up to US$100 million. Furthermore, requirements for access to this instrument were loosened, raising the maximum sales level of enterprises acceding to this benefit from US$20 million to US$30 million a year. The coverage granted by CORFO was also expanded from its current limit of US$1 million to a maximum of US$2.5 million, depending on the size of the loan.

- *Support investment with US$500 million through CORFO Inversión*: CORFO's Investment Guarantee Fund (FOGAIN) provides small and medium enterprises with long-term financing for their investment projects. An auction carried out at that time, resulted in the allocation to the financial system of resources totaling US$300 million, with coverage for a similar value that will be loaned to the smaller enterprises at rates between 10% and 15%. This would give the financial system more liquidity, because banks would have access to these resources at a 6.26% rate in pesos. These funds would enable banks to obtain resources and guarantees and place them with small enterprises. The terms of the auction stipulated that 30% of the funds SMEs obtained could be used for working capital and 70% for investment. Furthermore, current lines were to be refinanced, to which end enterprises should apply to the banks that auctioned these first funds: BBVA, BCI, Banco de Chile, Corpbanca, Banco del Desarrollo, and Banco Santander. The remaining US$ 200 million would be placed through a new auction with similar terms.
- *Working Capital Line for small enterprises:* A US$200 million working capital line would be put up for bidding by small enterprises, using the instruments contained in the CORFO's Guarantee Fund for Small Entrepreneurs.
- *Non-bank factoring for US$100 million for new financing lines*: In order to facilitate working capital financing for small enterprises through factoring, CORFO would assign the resources to factoring enterprises, to be used for new financing lines. These lines will provide funds to financial intermediaries with efficient risk control systems and that target small enterprises and offer the final customer better loan terms, in terms of discount and service.

To this effect, it is necessary to add the additional US$ 700 million in balances that would be channeled through this bidding system to be established by Chile Central Bank.

The Chilean Senate approved an extraordinary US$500 million capitalization of **BancoEstado** and an increase of US$130 million (or its equivalent in Chilean pesos) in the Guarantee Fund for Small Enterprises (FOGAPE). This raised the Bank's own capital to approximately US$1,500 million and that of FOGAPE to US$200 million, increasing BancoEstado's capital by 50% and its lending capacity for SMEs and families aspiring to own their own homes. In connection with the housing and construction sector, the government decided to raise the housing subsidy to up to 200 Development Units (UF), some US$6,600, for new and used homes of up to 1,000 UF (some US$33,000). A special temporary subsidy will be given for homes that cost between US$40,000 and US$80,000.

Other subsequent measures taken by the Chilean government are listed to follow:

SMEs	Housing	Other sectors
- The application of US$8,1 million in additional resources for 2009 to Servicio de Cooperación Técnica (SERCOTEC) to double the seed capital for micro enterprises. - An additional US$2,4 million, for the Fondo de Solidaridad and Inversión Social (Fosis) program. - A three-year extension for tax debt renegotiation and the immediate lifting of any pressure or seizure for default payment to micro entrepreneurs who apply for this benefit.	- An actual growth of 10% in housing investment in 2009. - Temporary increase in the housing subsidy. - New housing subsidy for medium sectors. - Increase in the coverage of the auction insurance - An increase from the present 80% to a 90% of the value of the house, the maximum coverage for housing credits with governmental subsidy. - The use of endorsable mortgage mutuals for home purchase is made available, authorizing Compensation Funds to issue them.	CORFO: Support to the salmon industry through credit guarantees reaching US$130 million. The extension of banking and non banking factoring financial line, and implementation of a new line to provide guarantees in credit restructuring.

COLOMBIA

The Colombian government took measures that include guaranteeing contingent financing with multilateral institutions and preventive actions to ensure adequate liquidity levels in the financial system. In this way, the government has focused, among other measures, on:

(1) assuring the necessary resources for external financing in 2009 through multilateral loans of US$2,400 million (Inter-American Development Bank, World Bank and Andean Development Corporation); (2) ensuring the availability of US$650 million for Banco de Comercio Exterior de Colombia (BANCOLDEX) to finance the export sector, from an IDB credit guaranteed by the state. Added to this are the US$300 million recently approved by the CAF, as well as the existing US$200 million credit line; (3) approval was given to a government request to authorize US$1,500 million in the form of freely disposable external program loans and contingent credit lines with international financial institutions, destined to replace eventual negative balance in case the financial

global crisis becomes more acute; and (4) eliminating the capital control for investments in fixed income securities. All capital controls are eliminated for foreign portfolio investments. The 40% foreign borrowing deposit is removed; and (5) bidding of the direct purchase of US$20 million in international reserves is suspended.

Other measures of the Colombian government are to start actions to create, together with the Venezuelan government, a common fund to finance micro and small enterprises in both countries. This fund will consist of resources amounting to US$200 million (Each country will contribute with 100 million).

On the other hand, a credit plan for almost US$200 million is to be implemented to finance the purchase of vehicles, and to prevent a loss of 4.000 job positions from assembly plants, and to earmark US$240 million for housing, US$22 million credit guarantees to improve popular housing improvement and US$220 million to reduce interest rates for houses under US$75 thousand. In this way, the government is trying to stimulate construction and the use of building materials, protection the employment.

As a protection, only to be used in cases of an extreme emergency, should the crisis becomes more acute, Colombia has negotiated with the IMF a flexible credit line for US$10.500 million.

COSTA RICA

The Central Bank made a special local currency financing line available to financial institutions subject to the supervision of the Office of the General Superintendent of Financing Institutions. In this connection, the IDB recently approved a US$500 million credit for the Central Bank of Costa Rica; to provide dollars to banks and other local intermediaries should it be necessary due to the world financial crisis. Costa Rica has also requested more external loans, among them US$850 million from the IDB for infrastructure, US$19 million from the Inter-American Development Bank for protected wildlife areas; from the World Bank three loans, US$72.5 million, US$65 million from the World Bank for emergencies, and US$500 million also for contingencies.

With regards to developing bank, there is a capitalization plant to inject US$117.5 million into three government-owned banks so that they will revive loans for the productive sector that had been reduced because of the international financial crisis. The spending plan permits the transfer of the State’s US$50 million financial surplus to Banco Nacional, the same amount to Banco de Costa Rica and US$17.5 million to Banco Crédito Agrícola de Cartago (Bancrédito) to expand their lending capacity.

Other measures were: 1) establishing a National Food Plan that included productive development policies; 2) a governmental request to the banks to reduce 2% form the interest rate on home loans under US$90 thousand. In addition, Instituto Nacional de Fomento Cooperativo (INFOCOOP) engaged to reduce a 2,5% in home loans interest rates; 3) increase in the maximum amount of the family bonus for housing, that would reach more than US$9 thousand; 5) economic support for your people that would like to develop productive projects and need an initial capital; 6) resources for US$400 million for small producers and merchants affected by the crisis; 7) negotiation with the banks to reduce interest rate in 2% for loans to the micro, small and medium enterprise; and 8) a 1% reduction of 1% in INFOCOOP micro credit interest rate.

ECUADOR

Some of the most important measures adopted by the Ecuadorian government are: 1) establishing a monthly tax on available funds and investments maintained abroad by private institutions that are regulated by the Office of the Superintendent of Banks and Insurance and the Securities Market Intendancy of the Office of the Superintendent of Companies;2) permitting a deductible for provisions above the minimum; 3) placing a moratorium up until December 2009 on income tax prepayments for exporters in the most affected sectors; reducing the income tax withholding on interest paid abroad, to 0% for the banking sector and 5% for private entrepreneurs until December 2009 (except in the case of capital from tax havens); 4) temporarily reducing taxes on private banks and requesting institutions to capitalize their profits. Banks will also be given access to fiscal stimuli in exchange for the placement of production loans; 5) encouraging domestic saving by charging a tax on the foreign assets of banks and raising the levy on capital outflow from 0.5% to 1%; 6) permitting export sectors hurt by the crisis not to make their 2009 income tax prepayment; and (7) strengthening the credit situation by: having Banco Nacional de Fomento grant wholesale credit lines; foreign trade financing was increased by US$100 million from Corporación Financiera Nacional and an additional US$500 million from an IDB emergency line. The IDB will be asked for US$1,000 million to ensure the country's viability for the next four years.

EL SALVADOR

The main measures adopted are aimed at alleviating the effects of the crisis on the Salvadorian people's purchasing power. Consequently, the Solidary Network program was strengthened to do away with extreme poverty by doubling the amount of aid for each family, from 150 to 300 dollars for families with children in primary school. The Alliance in Favor of the Family was put into effect. This was designed to raise the standard of living of families with medium incomes, offering offers discounts in school fees, expanding health coverage and revaluating pensions. Other measures include increasing income tax deductions for education and health, expanding the improved seed assistance network, paying 100% of the compensation for childbirth at the Social Security hospitals and freezing electricity rates, with the state covering the increase, among other things.

In the case of the financial sector, two international loans were taken out at interest rates in the neighborhood of 7%: one of US$400 million with the IDB, from which a first, US$37 million, disbursement has already been made; and the other an US$800 million precautionary loan with the International Monetary Fund for macroeconomic emergencies.

With regards to the action of developing banks, **Banco Multilateral de Inversiones (BMI) and the Federación de Cajas de Crédito y de Bancos de Los Trabajadores (FEDECRÉDITO)** launched a program to assist the micro and small enterprise sector (SMEs). It seeks to provide BMI resources to that sector to enable it to overcome problems created by the international financial crisis and to contribute to the sector's development. The initiative was born as a result of BMI's continued rapprochement with Fedecrédito and with each of its affiliates.

The micro and small enterprise sector plays an important role in the country's economy, representing approximately 98% of the entrepreneurial structure, with a strong economic and social impact. It also accounts for 53.9% of the country's total employed persons and represents 45% of the economically active population. Given its importance, BMI has contributed heavily to its development by facilitating timely financing.

HONDURAS

Among the measures being used by the government of Honduras is the injection of some US$530 million into the financial system to mitigate the negative impact on the country of the international financial crisis. In addition, it made about US$ 106 million in temporary credit lines available for mortgage loans for new housing. It also reduced the required reserve ratio in dollars and in lempiras for banks at least 60% whose loan portfolios are destined to production activities. These are in addition to a package of measures implemented in 2008 to increase the availability of productive resources in the agricultural sector, above all to ensure the supply of basic grains and avoid price speculation.

On the other hand, **Banco Hondureño para la Producción y Vivienda (BANHPROVI**) increased its available resources for the “Citizen Housing” programs by US$26.5 million, thanks to an agreement with the Private Contributions Regime (RAP). The terms of the agreement permit the wholesale bank to continue subsidizing housing loans at 10.5%, compared with the 19% and even 20% charged by private banks. In turn, the RAP will earn a profit of 2% on the purchase of US$26.5 million in government bonds intended for BANHPROVI.

In 2008, about US$90 million of the US$370 million available for loans in the housing sector were rediscounted and, with this, the State is subsidizing approximately 2% of all home building in the country.

Banco Nacional de Desarrollo Agrícola (BANADESA) has arranged L$200 additional million (some US$11 million) to fight the effects of the financial crisis in the agricultural sector. These resources, which are part of a special fund, will enable the Bank to reinforce micro and small irrigated area projects that make year-round production possible. The Bank may also draw on funds from Venezuela’s Banco Nacional de Desarrollo Económico y Social, with which it signed a US$30 million agreement, together with Petrocaribe resources for production and irrigation.

MEXICO

Mexican authorities announced a five-point plan, “Growing with Mexico,” to boost the economy by increasing public investment, with housing as a social priority and generator of economic activity and employment. The aims of this program are: first, to bring public finance into line with the new economic situation; second, to alleviate the negative effects of the financial crisis and the consequent global economic slowdown, and third, to boost economic growth and employment. These measures are also expected to give the economy a boost equivalent to figures approaching 1% of the Gross Domestic Product (GDP).

1. - Increase public spending on infrastructure to promote growth. 2. - Seek a change in public spending rules in order to streamline its exercise. 3. - Build a new refinery in the country. 4. - Launch a special SME support program. 5. - Create a tariff regulation program to make the national production system more competitive.

In this sense, one of the central elements of this initiative is to allocate $12,000 million (about US$1,000 million) to build a refinery and other infrastructure projects for Petróleos Mexicanos (Pemex), thereby helping to reduce the heavy outlay on oil imports. In addition, the government offered up to $50,000 million (US$3,900 million) through two development banks to partially guarantee short-term corporate debt issues, given the sector's lack of liquidity.

Other actions taken were the following: 1) granting guarantees to Limited Object Financial Societies (Sofoles) and Multiple Object Financial Societies (Sofomes) so they can finance themselves, a system in which only banks were participating.. It is estimated that of the 78 specialized financial institutions in Mexico, all of those whose funding comes from development banks --about 40-- benefit from NAFIN guarantees; 2) **NAFIN and Banco de Comercio Exterior (BANCOMEXT)** made $35 thousand million (US$3,100 million) available to SMEs in loan resources. This is in addition to the financing programs the two institutions have in effect. Of that special amount, US$2,050 million will be used for funding lines for bank and non-bank financial intermediaries to expand their new loan support programs for SMEs.

In addition, the Guarantee Program will incentivate lending to SMEs through commercial banks by providing US$1,070 million to support more than 10 thousand enterprises. Housing developers that operate with **Fondo Nacional de la Vivienda para Trabajadores (INFONAVIT)** will have available a further US$550 million in resources from development banks. The production chain that currently operates with only traditional financing will have access to the Cofinavit system (credit shared between Cofonavit and any bank or sofoles), significantly increasing the financing available to the one thousand 500 developers associated with the program.

Also since the end of 2008 there is a program available to help enterprises renew their commercial papers. Both NAFIN and BANCOMEXT would issue stock market guarantees to maintain the interest of private investors in the debt market; and NAFIN, together with the Ministry of Economy would make up to US$45 million available to financial intermediaries under the SME product selection process.

By the same token, in February 2009, NAFIN made a credit line of US$730 million available to the car industry with three components: the first, $310 million for brand financial institutions, in which NAFIN will apply the fund for credit lines to be used for buying vehicles; the second, also for US$310 million, consists of guarantees for commercial banks to grant loans to buy a vehicle; and the third, for US$110 million for car dealers with a preferential rate (interbank balance interest rate plus 5%). NAFIN was also preparing another credit line for the car parts sector and an additional loan for distributors.

Financiera Rural (FINRURAL), for its part, is ready to grant a further $7,000 million (US$540 million) in loans to financial intermediaries or sectors that are unable to be served by commercial banks in Mexico. That amount is additional to the $20,000 million (US$1,539 million) Finrural was already planning to lend.

BANOBRAS, in turn, will boost financing for Mexican States and Municipalities through a US$1,200 million Inter-American Development Bank credit line that will help Mexico broaden the access of state and municipal governments to financing for priority investments in infrastructure, public utilities and institution building. The strategic association between the IDB and BANOBRAS shares the objectives of Mexico's National Infrastructure Program, which assigns a larger role to states and municipalities in the financing of basic infrastructure and public utilities like water, sanitation and irrigation.

For these and other actions, Mexico has had access to important resources from multilateral financial bodies. For example, the World Bank (WB) lent Sociedad Hipotecaria Federal US$1,010 million to help give low income earners in Mexico access to housing. The aim is to strengthen SHF's financial and technical capacity to fulfill its mission of developing the home financing market, with emphasis on broadening access to housing by low-income groups. In addition, the WB, IDB and SHCP will inject over US$13 thousand million into the Mexican economy over the next two years to keep the most important investment projects afloat and alleviate the effects of the economic crisis on the poorest population. The IDB also announced that it would authorize a new US$1,000 million credit line to underpin the Opportunities Program.

Should further resources be necessary, SHCP has announced that it will utilize the entire net external borrowing margin authorized by Congress to raise funds that will enable it to continue financing infrastructure and environmental programs and to reinforce support programs for the Social Protection Network. Additionally, the International Monetary Fund has authorized Mexico a credit facility of US$47.000 million only as protection and that would not be used unless there is a great emergency.

PERU

The government of Peru launched in late 2008 an anti-crisis program to bolster its economic growth. It consequently plans to make public investments totaling US$5,800 million to “maintain growth, augment employment, defend the poor and defend the country from the international crisis.” In order to carry out this plan, it is negotiating additional credit lines of US$3,000 million with the World Bank and the Inter-American Development Bank, among other institutions. The expedited execution of a package of road, housing and hospital infrastructure projects included in the 2009 budget was also announced. Furthermore, credit lines (amounting to some US$1,700 million) have been established with the WB, the IDB, FLAR, the IMF and the CAF, to be used for emergencies.

The government arranged for **Corporación Financiera de Desarrollo S.A. (COFIDE)** to receive S/.2,100 million (US$670 million) as part of the complementary measures, to be distributed as follows: US$288 million to boost home construction and allow financial institutions to continue granting mortgage loans, US$96 million to a partial guarantee fund for SMEs, and the remaining US$288 million to finance the activities of micro and small exporting firms. Part of these resources will be used to finance production chains in the agricultural, manufacturing, tourism and non-metallic mining sectors. These are expected to exceed the US$150 million granted in 2008, in financing 200 production chains, in addition to increasing the number of projects benefited.

DOMINICAN REPUBLIC

In February 2009, the application of a series of measures to guarantee and strengthen food security programs, rural prosperity and competitivity was announced.

It was agreed to increase the financing granted by **Banco Agrícola** and destine US$100 million from **Banco Nacional de Fomento de la Vivienda y la Production (BNV)** to develop the sector. The training program would also apply for young inhabitants of the rural area, providing them with land from the agrarian reform for the insertion in this sector to be attractive.

Banco de Reservas announced that mortgage loans requested in March 2009 to purchase new houses, with a limit up to US$340 thousand, will have a fixed interest rate of 15% until January 1, 2010.

<u>URUGUAY</u>

The Uruguayan government unveiled a package of measures to face the global economic-financial crisis and its possible effects on their economy. Among them are measures for maintaining the State's level of income, for facilitating tax compliance, for boosting private investment, for the export sector and for SMEs.

In the case of investment promotion, the most will be made of stimuli with the greatest impact on employment and exports and the execution of investments will be incentivated in 2009. The Regulations for Law 16.906 will be therefore adjusted to give greater weight to employment and export objectives in the case of exemptions and of bonuses for investments effectively made in 2009, an Income Tax exemption of 100%[4] will be considered for Revenues produced by Economic Activities (IRAE) and deadlines will be made more flexible in the terms for the evaluation of objectives committed to in projects in sectors that require it. Furthermore, the automotive and shipbuilding industries and those that meet certain objectives, such as promoting quality employment, the development of national value added chains and the acquisition of knowledge and capabilities for the country will be legally promoted. The method to be used is exemption from payment of the IRAE for a given period of time. In addition, the participation of the private sector will be promoted in infrastructure works costing US$1,000 million.

The tax refund certificates system will be maintained for the export sector. The difference is that now they will be able to be exchanged for cash at **Banco de la**

[4] The IRAE exemption may reach 100% of the amount invested in a period ranging from 3 to 25 years according to the type and size of the investment.

Republican Oriental del Uruguay (BROU), which means that exporters will have US$100 million of additional liquidity.

The preferential pre financing export taxes will remain unchanged for the textile sector until December 2009. In the diary products sector, Banco Republica will make new products available to existing customers and new loan recipients and **Corporación Nacional del Desarrollo (CND)** will open credit lines through dairy institutions and emergency products with the industry's participation. Loans for forage procurement that will require the active participation of producers' cooperatives will be implemented by the Agricultural Emergency Fund managed by the Ministry of Agriculture, Stockbreeding and Fisheries. In addition, the Ministry of Housing will increase its support for small production units participating in the system, and the National Colonization Institute will evaluate dairy settlers and the rebreeding camps. As for the tourism sector, the country will continue to be promoted abroad and citizens' safety on the coast will be promoted. A tax-free regime will be instituted for Uruguayan products purchased by tourists. Real estate commissions on home rentals to non-Uruguayan residents will be included in the service export regime and for seasonal rentals, a policy of preregistration with the General Tax Bureau (DGI) will be instituted.

Additionally, a multisector loan of an additional US$125 million was considered to fund the banking system for financing projects and pre-finance exports. The BROU will double the sum allocated to finance investment projects in industry, trade and services under particularly favorable terms as to rate and time periods (from US$100 million in 2008 to US$200 million in 2009). For exporters, BROU will create a US$20 million guarantee fund for exports to emerging or risky countries.

Banco Hipotecario (BHU), in turn, will complete its restructuring and capitalization in 2009. This will go hand-in-hand with the opening of long-term mortgage loan lines in local currency or indexed units.

The Housing Ministry considered encouraging home buying, sparking more construction and employment, and would offer subsidies for the quota of loans granted by BHU, BROU and private institutions.

For small and medium enterprises, the creation of a National Guarantee System was anticipated to facilitate access to credit. Furthermore, the credit guarantee fund for SMEs administered by CND would be increased and regulations would be prepared for the Public Hiring Program for the Development of Micro, Small and Medium Enterprises provided for in the Accountability Law.

Another government measure will be the implementation of “Export Easily” for micro, small and medium enterprises. This system permits the exportation of amounts of up to U$S3,500 by mail, with a reduction of operational costs and tax exemption.

III. MAIN NATIONAL MEASURES CRISIS SUPPORTED BY DEVELOPED COUNTRIES

		Amount	Policies			
			Money and Finance	**Fiscal**	**Sectorial**	**Labor and Social**
THE UNITED STATES	**Objective:** Avoid the collapse of more companies with "toxic" debts, dragging the American economy. Achieve the banking system feasibility. **Why?** If bankruptcies continue in the country, more companies would have to close, and this would mean a greater loss of job positions. Besides, the world economy would continue suffering the effects of the crisis.	US$700,000 million, approved by the Congress of the United States.	- Actions to increase the liquidity in credit markets (extend the options as guarantor/collateral, change the terms and conditions of credit due dates), bilateral currency swap arrangement with 14 central banks. - Increase/introduction of deposit insurance - Reduction of the reference interest rate in 425 points since 2007, reaching a range of 0 to 25 base points in December. - Bank recapitalization - Purchase of assets, especially long term assets. - Creation of safe assets by the Federal Reserve.	- Support to people with mortgages. - Fiscal stimulus package (to be approved) that includes: tax reduction by US$$310 thousand million for medium class households and for companies hiring new personnel or reinvest in physical capital.	- US$43,000 million to extend the unemployment benefits and labor training for people who lost their jobs, 54.000 million to finance energy conservation projects or new sources of renewable energy, and other 10.000 million for scientific research.	The proposed fiscal stimulus Packaged includes large increases in education expenditure, help for the States to pay the costs of Medicaid, temporary increases for the unemployed and a wide range of public works to create new jobs.
THE UNITED KINGDOM	**Objective:** Keep the banking system afloat. **Why?** The most important British banks lost a great deal of value because of the falls in the markets. They also lack liquidity and they do not want to give loans to each other, in case they are unable to face their own problems and to recover their money.	The government placed US$63,950 million in the main British banks. With this measure, the government becomes the main shareholder of Royal Bank of Scotland (RBS), the Halifax Bank of Scotland (HBOS) and Lloyds TSB. It provided banks with US$350 thousand million in guarantees so that they could	- To solve the problem of liquidity, the government placed at the disposal of the Bank of England 200 thousand million pounds (US$303 thousand million). - To respond to the concerns about solvency, 50 thousand million pounds (US$76 thousand million) have been committed to a Bank Restructuring Fund.	-Reduction of a 2.5% from the Value Added Tax (VAT) that went from 17.5% to 15%. - Increase in the tax rate for people with an income of more than 150,000 pounds a year, going from 40 to 45%. - Suspension of circulation tax. - Cancellation of fiscal reform that would increase taxes.		Increase in subsidies to heating diesel fuel.

		obtain private credits and up to US$400 thousand million in short-term loans, provided by the Central Bank.				
GERMANY	**Objective:** Save domestic and mortgage banking such as Hypo Real State that was on the verge of bankruptcy as they had a strong investment in "toxic" debt. **Why?** According to the German Minister of Finances, if Hypo would have gone bankrupt, the German economy would have suffered an "incalculable damage" to the German economy and to European financial services.	US$548,900 million in guarantees for banks.	- Operations to increase liquidity - Bank restructuring - Purchase of assets	- Reduction of tax rate from 15% to 14%. - Increase in the tax free limit of the tax return to 8,004 euros. - Reduction in the salary deduction for health insurance from 15,5 to 14,9%.	- Governmental credits and guarantees for companies lacking liquidity that guarantee their operation before the economic crisis. These credits and guarantees may reach 100,000 million euros. - Consumer Bonds from 250 to 500 euros- for people to pay with them in shops, stores, supermarkets and any other business.	- Stimulate investments of around 30,000 million euros to ensure one million jobs that are currently at risk as a consequence of the world recession. - An investment of 17 million euros in infrastructure will be made.
FRANCE	**Objective:** Guarantee interbank loans and enable the state intervention in entities with liquidation problems. **Why?** The French President, Nicolas Sarkozy, pointed out that the objective of the package was to get round the crisis of trust and avoid the exorbitant cost the collapse in the banking system would have for the French people.	Offered US$400,000 million in guarantees for Interbank loans, besides a fund of US$54,890 million to take participation in the companies.	- The "Finance Law" (October 16) allow the government to improve the operations of the banking sector up to 360 million euros (US$490 million). - Creation of the French Society for Economic Refinancing (SFRE). French banks will benefit from stable, medium term financial resources (up to 5 years). The amounts involved may amount up to 320 million euros (US$435 million) until the end of 2009.	- Allotment of 5 million euros (US$6.7 million), financed by the savings fund of the Caisse des Dépôts et Consignations (CDC), devoted to refinancing local communities. This loan matures in 20 years; half of it is directly distributed by CDC, the other half by the banks.	- Support to SMES for an amount of 22 million euros (US$30 million). - Business investment in France, between 23/10/08 and 31/12/09, will be fully tax free. - A loan of 500 million euros (US$680 million) to finance car manufacturers and the establishment of an investment fund of 300 million euros (US$408 million) - The State organizes the purchase of 30,000 housing units.	- Ten thousand 500 million euros (US$14,276 million) will be spent in public investment, of which four thousand million will correspond to the State, 2,500 to local administrations and four thousand million to public companies.
SPAIN	**Objective:** Provide	Around US$70,000	According to the head of the	A Stimulus Package	Resources to benefit	Direct measures to

	liquidity to the banking system. **Why?:** The Spanish government is afraid that the banking system is more affected given the global uncertainty, that among other things is preventing banks from granting loans to each other, and therefore granting loans to companies and individuals.	million in a fund for Spanish banks to access.	Government José Luis Rodríguez Zapatero, this is a temporary measure and it does not Intend to "clean up" financial entities, but give back liquidity to the market, for companies and citizens to have access to credit. Additionally, the coverage of the Deposit Guarantee fund will be extended to 100,000 euros per principal and entity, to reinforce the confidence in the financial system.	was launched (Plan E) to articulate a series of fiscal measures to give a direct support to the families, enabling them to have a higher available income to face the difficult current economic situation. Altogether, a total fiscal boost of 14.000 million euros is estimated between 2008 and 2009.	the companies will be released for a total amount of 17,000 million euros and, in the second place, extending available instruments with a financial character to facilitate company's access to credit, allotting 29.000 million euros. In this, way ICO lines will finance, for the first time, the company's circulating capital.	boost the creation of jobs were launched. Among them, the Local Entities Fund and the Special Fund to Reactivate the Economy are the most important for the volume of funds mobilized, some 11,000 million euros. Additionally, those families that have los their jobs will be able to postpone paying their mortgage for the next two years.
BELGIUM, LUXEMBURG AND THE NETHERLANDS	**Objective:** Rescue the financial company Fortis from collapse. **Why?:** Its bankruptcy would have produced a domino effect in several European banking institutions, as it employs 65,000 people around the world and has assets valued in hundreds of billion dollars.	In Belgium and Luxemburg US$32 thousand million, representing 75% of Fortis stock, were purchases by the French bank BNP Paribas, while the governments from both countries kept a minority share. However, in the Netherlands, the government took full control of Fortis operations in an agreement valued at around US$23.000 million.	None has been revealed so far, as this is a total nationalization in Dutch territory and a private purchase in Belgium and Luxemburg. Fortis was exposed to the crisis alter it invested in buying ABN Amro together with Santander and the Royal Bank of Scotland.			
THE NETHERLANDS	**Objective:** Support ING bank finances. **Why?:** ING is the main financial institution in the Netherlands and one of	US$13,000 million				

	the most important in the world. The bank's executive president, Michel Tilmant, noted that the assistance responds to "exceptional circumstances".					
JAPAN			- On January 22, Bank of Japan trimmed its growth forecasts that include a contraction of 1.8% in 2008 fiscal year that ends in March, and of 2% for 2009. - It was agreed to keep interest rates in 0.1% in an attempt to fight economic recession and reactivate credit flow. - Besides, BoJ confirmed that it would purchase the short term debt issued by local companies to alleviate financial cost as the current level of interest rate reduced their performance capacity and placed monetary policies at the background when reactivating credit. - In this way, BoJ announced that starting this month they would start purchasing short term obligations issued by Japanese companies for a maximum amount of 3 billion yen (some 25,960 million euros).	- The increase in oil prices and the rest of commodities, caused that, alter several years of deflation, Japan experienced the highest levels of inflation in the last twenty years, and a growth slowdown in the majority of economic sectors. - Although Japan is trying to carry out an expansive fiscal policy, by reducing tax burden, it is also true that the delicate budgetary situation in the country constitutes a significant growth restriction. - The Japanese Government introduced the "Comprehensive Immediate Policy Package -Easing Public Anxiety" to inject money into the economy.	- The impact on the local banking system has not been too severe, in spite of having investments in mortgage-backed securities in the USA, as the loan extension has been low if compared with the solid evolution of deposits.	- The program: "Economic Policy Package: Measures to Support People's Daily Lives" was bolstered. This comprises three main areas: 1) reduce anxiety in daily lives, 2) reinforce the financial situation and economic stability, and 3) boost the potential of the regions.
CHINA			- The Chinese Central Bank announced that their monetary policy will be less rigid to enable a stable growth and to ensure the liquidity of the	- China has a surplus US$400 billion in current account and a balanced budget for 2009.	- Because of their accumulated reserves, a biannual package of economic stimuli was announced for the	- Economic stimuli for manufacturing and low technology sectors in a delicate situation.

			banking system. **Exchange Policy:** - China has international reserves for more than US1.9 trillions that may even increase as an improvement of their commercial terms is expected. - China increase tax rates as of 2009 on goods such as luxury watches from 10% to 20% and cosmetics from 20% to 50% to protect the local industry. - Additionally, the appreciation of the yuan against the dollar has been slowed down, to support exporters.	- The Government announced a fiscal stimuli package for US$586 billion. - A low inflation rate is expected because of the reduction in commodity prices.	construction sector. The four trillion yuan ($584bn) will be invested as follows: - China Yuan Renminbi 1.8 trillion (US$263 bn) in roads, rails and airports. - 1 trillion yuan (US$146 bn) in rebuilding the province of Sichuan destroyed by the earthquake last may. - The balance will be used for house building and several works.	
SOUTH KOREA	**Objective:** Help South Korean banks to pay the debts they entered in foreign currencies up to June 2009. Provide liquidity to banks and exporters **Why:** The South Korean government wants to avoid "placing local bank in a disadvantageous position ". According to analysts, South Korea is one of the economies most vulnerable to the current financial global crisis.	US$100,000 million to help banks to pay their debts and US$30,000 million to support banks and exporters.	- In October 2008, the Central Bank issued a mega Packaged of US$30 billion dollars to rescue local banks. - Additionally, interest rates were reduced in 0.75 percentage points, to reach 4.25%.	The measures to promote the economy are: US$11,000 million to increase public spending and fiscal reduction.	The Government has committed to spend up to 9.2 million dollars to support real state developers, as well as to give more financial support to small companies.	
INDIA			- The Central Bank lowered the interest rate from 9% to 7.5%. - The cash reserve ratio was reduced, that is the amount of money that commercial banks need to have available, from	- A highly expansive fiscal policy. - Reduction of taxes on consumption. - The Government of the Union announced an investment package	The government will invest in 2009 a total amount of 14 thousand million rupees (US$282 million) to increase loans, and farmers' income, as well as the	The Government increased the income of public officers.

			9% to 5.5%. **Exchange policy:** - As the Indian banking system has been closed for years for investment in debt issued in USA, the crisis has not affected them as it has other countries. From the Indian portfolio of US$510 billion in occidental assets, only one was committed to assets affected by the crisis. - The Reserve Bank of India (RBI) reduced banking reserve requirement.	in public infrastructure for an amount de 30,000 crore (1 crore= 10 million) rupee, that is, some 6,045 million dollars.	subsidies for fertilizers.	
RUSSIA	**Objective:** Revitalize interbank credit. **Why?** The Moscow Stock Exchange has had dramatic falls that have affected the liquidity of their banks.	US$36,400 million offered by the Russian government in long term loans to banking institutions.	None that we know of. The Russian government has only declared that they need to restore trust in the markets.			

IV. FINAL CONSIDERATIONS

- The initial perception, that the economic performance in Latin America and the Caribbean was not linked with the dynamics of the world economy, was not that certain, according to economic growth forecasts projected for the region. In the opinion of CEPAL, Latin America and the Caribbean would decrease 0.3% in 2009. In turn, for the International Monetary Fund, in its latest report, the global turbulence would take the region to fall 1.5% this year, although it is expected that the regional fiscal soundness, the strength of its financial system, as well as the policies that contribute to soften external shocks, will enable the region to leave the financial crisis before advanced economies. For this reason a growth rate of 1.6% is expected for 2010.

- The responses and actions to face the impact of the global crisis have mainly required the direct intervention of the States to support financial markets and avoid a greater collapse, which has proved that the State cannot step aside and leave the market to be handled without any restriction, specially in the financial market, and that it has an important role in regulation and supervision, generating the conditions for the development of financial products and services and injecting financial resources at times of low economic activity.

- Together with the general policy measures, the governments in the region have launched a series of specific measures to counteract the adverse effects of the international crisis in the domestic economy, and many of these measures have their domestic financial institutions as their executor branch. In this context, the presence and action of development banking in its condition of agent of financial public policies is more relevant in fulfilling its anti cyclical function without losing sight of the long term and a permanent policy of income distribution.

- In the short term, development banking has tried to help countries to overcome the financial crisis, by making larger resources available to the productive and social sectors. In this way, financial institutions have granted new credit lines with funds provided by the State for the industrial, agricultural and housing sectors, SMEs, international trade, infrastructure, and others. Additionally, they have carried out other actions such as for example, increase the debt limit of financial intermediaries to provide them with more financial resources; grant securities for the titles issued by the companies; establish funds for infrastructure; restructure debts and extend the maturity of debts; offer preferential credits to specific segments, such as small urban and rural enterprises, and for purchasing social houses.

- For development banking – particularly wholesale banking – to be able to play its counter cyclical role in providing financing, it cannot act in isolation, but integrated in an organic set of measures and actions, of course, together with the private sector, in order to ensure sustainability of financing flows, investment and trade. This also means that development banking must work permanently in the development of products and a network of intermediaries, particularly non banking intermediaries, so that in times when the private commercial banking withdraws, it can respond quickly and effectively and inject liquidity to companies

- Efficient counter cyclical policies need enough financial resources, as well as the establishment of different forms of contingent credit and the development of a quick borrowing capacity in international markets. Therefore, it is necessary that development banking cooperate with regional development banks, as well as with the different domestic financial agents. In this sense, it is important that the main multilateral developing banks have announced that they will increase their support to Latin America and the Caribbean, providing up to $90,000 million in the next two years, in an effort to stimulate the economic growth coordinating their initiatives to respond to the crisis.

- In this regard, it is important to point out that the Inter American Development Bank (IDB) and the Inter American Investment Corporation (IIC); the World Bank Group (IBRD, IFC and MIGA); the Andean Development Corporation (CAF); the Caribbean Development Bank (CDB) and the Central American Bank for Economic Integration (CABEI), are working jointly to identify alliances to increase their collective impact, as well as to explore new opportunities to protect the economic and social achievement made in the region during the last five years. It expected that IDB and the IIC contribute with US$29,500 million of the total amount, while the World Bank Group has decided to supply US$35,600 million in the next two years. Additionally, la CAF plans to provide US$20,000 million, while BCIE and CDB expect to contribute with US$4,200 million and US$500 million, respectively.

- Finally, it is important to mention that although the presence and intervention of development banking in the current situation is more relevant, because fulfilling its mission it design quick action programs to inject resources to the productive and social sectors, it should not lose sight the generation of more competitive economies that add value and generate new sources of wealth, by increasing investment, technological progress, innovation, and inducing sustainable development that are actions with long term effects. Additionally, financing must confirm banking practices in line with international standards for managing credit risks, collaterals as well as operational and market risks, that is to say generate mechanisms for sustainability and transparency.