ALIDE Asociación Latinoamericana de Instituciones Financieras para el Desarrollo

NATIONAL, MULTILATERAL AND REGIONAL DEVELOPMENT FINANCE INSTITUTIONS AND GOVERMENTS ACTIONS AND MEASURES AGAINST THE CRISIS - COVID 19

REPORT N°4

- **CABEI**

CABEI against COVID-19
CABEI news 2020
In response to the global pandemic, CABEI launches the Emergency Support and Preparedness Program for COVID-19 and economic reactivation of US$1.96 billion.

The Program responds to the efforts for the prevention and containment of the health emergency faced by the member countries of the Bank. In addition to implementing short and medium-term actions with the aim of strengthening the regional economy.

The program that is already underway integrates the following components:
- Emergency aid with non-reimbursable funds (donation) for a total amount of US$8 million, which have already been delivered to the Central American Integration System (SICA) countries.
- Regional purchase and supply of medicines and medical equipment for early detection of COVID-19, for a maximum amount of US$2.1 million. To date, the prompt delivery of 182,000 tests kits is expected to be distributed to the countries.
- To finance public sector operations, an amount of up to US$600 million is available, distributed as follows: US$400 million for SICA countries and US$200 million for other non-regional member countries. The program may finance eligible operations, in the sovereign and non-sovereign public sectors with US$50 million per country.
- US$1 billion to support the Liquidity Management of Central Banks, may be granted to each founding and regional non-founding member country.
- Support to the financial sector, with US$350 million destined to finance structured operations of the eligible countries, which contribute to the reactivation of the economies through the use of different financial products. The main focus will be on supporting the MYPIMES sector to strengthen the business fabric of the region.
- Finally, the program includes specific support to areas of the central american region, such as the Trifinio zone, which was provided with US$ 25,000 for prevention and contingency campaigns.

Emergency Support and Preparedness Program for COVID-19 and Economic Reactivation
https://www.bcie.org/en/topics/cabei-against-covid-19/

- **CAF**

CAF to donate $2.7 million to aid T&T's fight against COVID-19
Loop News Trinidad and Tobago, 3 APRIL 2020
The CAF-Development Bank of Latin America has pledged US$400,000 (TT$2,702,963.20) to Trinidad and Tobago to strengthen the country’s emergency response mechanisms and reinforce the safety of people working in the prevention, mitigation and care of patients affected by the novel coronavirus.

According to the financial institution, the money will be donated to the Ministry of Finance.

The CAF says it hopes this will aid in the containment and control measures undertaken by the Government.

"Trinidad and Tobago’s efforts to contain and mitigate the pandemic are heading in the right direction, and this donation is the first one of several actions we are undertaking to contribute to strengthen prevention, mitigation and medical care, in order to preserve public health in the country," said CEO of CAF Luis Carranza.
Following guidelines issued by the World Health Organization (WHO), CAF says it supports its member countries in dealing with this humanitarian emergency. Additionally, CAF reportedly made US$2.5 billion Emergency Credit available for countercyclical and rapid disbursement to countries most in need of urgent assistance.

https://www.looptt.com/content/caf-donate-27-million-aid-tts-fight-against-covid-19

- **BRAZIL**

Brazil's central bank restricts bank dividends, share buybacks
Reuters, APRIL 6, 2020
BRASILIA/SAO PAULO, April 6 (Reuters) - Brazil's central bank has barred financial institutions from paying dividends beyond the minimum legal requirement through Sept. 30 and initiating new share buyback programs, in a move to strengthen liquidity amid the coronavirus pandemic.

The central bank, the industry's main regulator, said the change is designed to give banks the flexibility to keep extending credit and absorb potential future losses as the outbreak hits Latin America's largest economy.

Banks are also forbidden to raise executive compensation or create new share repurchase programs without consulting the central bank. Authorized share buyback programs are restricted to 5% of outstanding shares.

The European Central Bank (ECB) took similar measures last month, asking banks to skip dividend payments and share buybacks and use their profits instead to support the economy. Spain's Banco Santander SA last week canceled its dividend payments.

Brazil's top five lenders have so far renegotiated more than 200 billion reais (US$37,807 millions) in loans for more than 2 million consumers and small companies, bank association Febraban said on Monday. Lenders are allowing customers to postpone debt payments for two to three months.

Febraban added that foreign banks have cut funding lines to Brazilian banks during the coronavirus pandemic, a move that has reduced the financial system's liquidity.
https://www.reuters.com/article/health-coronavirus-brazil-banks/update-2-brazils-central-bank-restricts-bank-dividends-share-buybacks-idUSL1N2BU0JG

IICA establishes Advisory Council for Food Security in the Americas
The Voices, April 4 2020
The Council, which is made up of experts from eight countries in the Americas, will make available to the various public and private sector entities, analysis and recommendations on food security, that may be used to facilitate decision making.

The Council will monitor the impact of the new Coronavirus on food security in the region, with a view to offering analyses and recommendations that may inform the decision-making processes of various public and private sector entities.

- **EIB**

EIB Group moves to scale up economic response to COVID-19 crisis
Press Release, 3 April 2020.
- Extraordinary Board of Directors discussed the EIB Group's proposed response to economic effects of COVID-19 crisis: a €25 billion pan-European guarantee fund to support up to €200 billion for the European economy
- The Board also approved key elements of an emergency measure package announced in March

The Board of Directors of the European Investment Bank (EIB) today discussed the creation of a €25 billion guarantee fund to enable the EIB Group to scale up its support for companies in all 27 EU Member States by an additional up to €200 billion. This comes on top of an immediate support package of up to €40 billion announced in March. The Board prepared the proposal for the guarantee fund for discussion by the Eurogroup on the 7th of April 2020.

"We need a pan-European response to the pandemic. We need this response to be ambitious and we need it fast," said EIB President Werner Hoyer. "Companies throughout the European Union need massive support. They need more credit lines, bridge loans and working capital to overcome this unprecedented challenge. With the backing of the Member States, the EIB Group's coronavirus response would support financing of up to1.5% of Europe's GDP to face this unprecedented crisis, complementing the extraordinary efforts made by the Member States."

The pan-European guarantee fund would serve as a protective shield for European firms facing liquidity shortages. It could be set up with contributions provided by the Member States and be open to participation by other EU institutions. Building on the EIB Group's existing guarantee programmes and proximity to the market, the funds could be deployed within a very short time. The scheme would be implemented by the EIB and the European Investment Fund (EIF), which form the EIB Group, in close partnership with national promotional banks, the European Commission and other financial partners. It would create a level playing field for small and medium-sized companies in all Member States.

The deployment of funds through the EIB Group would ensure that every Member States benefits from the EIB's AAA rating. The guarantee fund would complement and enhance national packages as.EU Member States are heavily influenced by what happens to overall EU demand and market confidence, intra-EU trade, and supply chains and financial markets. 40% of the positive impact on growth and employment from EU investments are thanks to cross-border spillovers of investments. This makes the EIB scheme genuinely complementary to national measures. The EIB Group will work closely with experts in national authorities, including central banks, to identify where the needs are most pressing.

President Hoyer added: "The guarantee fund would be an effective, timely and truly European response to an unprecedented crisis. We want to fight the economic impact of COVID-19 now by getting ahead of it and relieving the stress on the real economy rather than dealing with fall-out later on. Sharing the burden across Member States avoids adding more debt to those countries that are hardest hit by the crisis and under the highest health expenditure stress."

The Board also approved a multi-beneficiary intermediated loan (MBIL) of EUR 5bn covering all EU Member States, as part of its emergency response package which aims to rapidly mobilise financing for SMEs and Midcaps in the coming weeks up to EUR 40bn.

In addition, the EIB Group is using existing financial instruments shared with the European Commission – primarily the InnovFin Infectious Disease Finance Facility – to finance projects that work towards halting the spread of the coronavirus, finding a cure, and developing a vaccine. The EIB Group will also support emergency measures to finance urgent infrastructure improvements and equipment needs in the health sector, using existing framework loans or undisbursed amounts from existing health projects. The EIB Group's current pipeline of projects in the health sector amounts to around €5 billion.
[Detailed information about the help offered by EIB and EIF](https://www.eib.org/en/press/all/2020-094-eib-group-moves-to-scale-up-economic-response-to-covid-19-crisis.htm)
https://www.eib.org/en/press/all/2020-094-eib-group-moves-to-scale-up-economic-response-to-covid-19-crisis.htm

- **European Central Bank**

Interview with Luis de Guindos, Vice-President of the ECB, conducted by Carlos Herrera on 30 March 2020
Press ECB, 30 March 2020
Are you teleworking? Are you in lockdown?
Yes, we're in lockdown and have been teleworking for almost a month now.

I'd like to go back in time. You were in a very difficult place at an extremely difficult time, i.e. at the helm of the Spanish economy when the crisis that was triggered between 2007 and 2008 reached its peak and Mario Draghi uttered the magic words "...whatever it takes...", which significantly calmed the *markets. Can today's crisis, which is different in nature but devastating nonetheless, also be solved by either you or your President saying "we will do whatever is necessary", and that will solve everything?*

We are already doing whatever is necessary. We have given banks as much liquidity as they need and the ECB is going to buy more than a trillion euros' worth of euro area bonds. Spain will benefit to the tune of around €120 billion. This is the Spanish economy's main line of defence from a financial perspective at the moment.

Is this how much Spanish banks, with the government's approval, will be able to grant in terms of loans to whoever asks for them?
No, these are direct purchases made by the European Central Bank.

Purchases of debt, of bonds?
Exactly.

Does this mean money for the government?
Yes, ultimately. The purchases are made on the secondary market, but will also have an impact on the primary market. The ECB is taking steps to help avoid certain situations; do you remember what happened with the spread?

Yes, it reached 650 points in Spain.
The aim is to ensure spreads don't widen dramatically and to keep the borrowing costs of governments under control to avoid an increase in financial stress at this extremely challenging time.

Are you now sure we will be in recession at the end of this quarter?
Yes. All of the scenarios being looked at, by the European Commission, the OECD, etc. indicate that a recession will take hold. The main question is how long the lockdown period will last. If it lasts a long time, each month will see a fall of approximately two percentage points in GDP, according to the OECD calculations. If it lasts for three months, we would see a fall of six percentage points. These are fairly reliable calculations.

What do you think of the government's "I order, you foot the bill" approach? Meaning that employers cannot lay anyone off but have to keep paying; maintain their expenditure while receiving no income. Could this result in the destruction of Spain's, and possibly other countries', business infrastructure?
I mustn't get into analysing specific policies. The Spanish government has taken a decision to introduce stricter lockdown measures in the hope that this will in fact help to shorten the pandemic's life cycle and break the chain of infection. Ultimately, although this will come at a certain cost, hopefully it will be outweighed by the benefits. This public health crisis will lead to a very severe recession. The assumption is that businesses will stop billing. And what we must do is try to keep as many of our businesses as possible afloat so that, after a certain period, economic activity can bounce back again. When companies stop billing, measures should be taken to try and keep their expenditure to a minimum. If their expenditure is fixed at a certain level, the only way out is for businesses to go bust. And that is what we must avoid.

The Spanish government – I don't know about other European governments – is providing guarantees for loans to continue paying, but it's not helping businesses with a moratorium on labour costs or on certain taxes.
The issue of guarantees is a crucial one. The ECB has provided lots of liquidity to the banks. The banks have to pass this liquidity on to customers, namely SMEs and the self-employed. So guarantees are important. We also need to allow tax liabilities, social security payments and the like to be deferred. What's important is that businesses that were entirely profitable before the start of the pandemic survive it and become profitable again once it's over. That goes for Spain and for all the countries in the euro area.

Are the €120 billion of debt purchases kind of like the coronabonds that people are calling for? Or is this something different?

No, this is completely different. It's direct intervention by the ECB. I'm in favour of coronabonds; I think they show solidarity.

What would coronabonds involve?
Coronabonds would be mutualised debt issuance by the entire euro area. They wouldn't be bonds issued by Spain, Italy or Germany, but by an EU institution. But this isn't the only instrument we can use to defend [against the effects of the coronavirus], and it's certainly not the most powerful. The most powerful is undoubtedly the European Central Bank, which is dealing with a situation, in which also some countries with weaker fiscal positions require funding, so that we don't see an emergence of the bond spread problem and an increase in borrowing costs.

In the 2008 crisis you were looking far ahead. Everything came together in that moment during the euro crisis. Four years went by before we could start to breathe freely. This time it's a virus which, perhaps within a month, has been brought under control in one way or another. Or in two months we might be able to breathe freely again. But never before has so much damage been done in two months. Are the consequences this time going to be worse than back then?
We will have to see. If this goes on for two months, there will be a recession but it won't be an overly deep one. If we get to three months, it will start to become more serious. I think it's important to bear in mind that, from the economic perspective, Europe remains the main economic and financial shield for an economy like Spain's in times like these, in an emergency like the one we're in now. If we didn't have a central bank like the ECB acting in the interests of the entire euro area – and in the interests of the Spanish economy – the funding costs of the Spanish economy would be soaring. In a situation like the one we're in, imagine adding a debt crisis to the public health crisis and the economic crisis. That's what the ECB is preventing. So there's a significant element of solidarity to this. And other things are being done too. For example, the European Investment Bank is going to launch a guarantee scheme. The EU budgets will start working and making purchases. The EU institutions are acting in solidarity with all of the countries, also those that are most vulnerable, like Spain at the moment.

Nevertheless, the Spanish government is furious. When the Spanish Prime Minister talks about Europe, especially about Germany and the Netherlands who are putting obstacles in the way of the notorious coronabonds, he looks stony-faced. Sometimes, situations like this are used somewhat irresponsibly to stir up Euroscepticism.
I'm not going to discuss specific topics; I will just give you the data. Currently, the ECB is clearly the principal calming influence in the financial markets, with the €750 billion of bond purchases that we recently approved, plus the €120 billion we approved shortly before that, plus the €240 billion we were already doing. This is ensuring that the cost of public debt, not just for Spain but also for other countries, does not increase dramatically and that the issue of bond spreads does not rear its head again.

Take a country with a debt level of 98% [of GDP], like Spain (not the highest in Europe, some other countries' debt levels are even higher). How many years will it take to pay off this debt increase?
Budgets will deteriorate significantly, mainly because tax revenues will collapse. It remains to be seen who will be paying corporation tax, or VAT, or income tax, or social security contributions. But we all hope that this situation, this catastrophe, will be temporary. We're talking about two or three months. There will be an increase in debt. But what's important is that, after this period is over, we get back on our feet and the Spanish economy begins generating activity and employment again, as it was before. This is very much the hope.

I wanted to ask you whether some of the southern European countries, and Spain in particular, could once again be looking at a rescue scenario in the medium term.
No. This is completely different from what happened in 2008, 2009 and 2010. This is a shock that is affecting everyone – the plans enacted in 2009 and 2010 cannot be applied to the current situation.

Almost all the letters of the alphabet have been used to describe the type of recovery we might see: V-shaped, L-shaped, U-shaped… What will it be? And what is your opinion on essential

industries being paralysed? The accusation levelled at us by northern European countries is that Spain has squandered the opportunity to reduce its deficit during a growth period, and now we're paying the price.
Spain reduced its deficit. In 2011 we had a government deficit of 9.6% and we reduced it to 2.5%. We have a high level of debt, close to 100% [of GDP]. Spain has acted responsibly, also from the point of view of its banking sector, which is not currently a cause for concern. The sector was successfully restructured. And Spain is a very competitive country – the external sector is the main source of growth in the Spanish economy. The form the recovery takes will depend on how the business landscape has changed. If we can avoid a situation where many companies go under as we journey through this wilderness, I'm sure that when normal life resumes companies will start hiring again and moving in the right direction. This will make it more of a V-shaped recovery than a U-shaped one.

And what about essential industries being paralysed?
That is a political decision. The government thinks that it is accelerating the flattening of the infection curve. I hope it works out. But it has an economic cost.

If you were in government, would you have done the same?
I can't say. This crisis is unique. I think the guarantees were a good measure to take. We have to try to reduce the costs to firms and ensure that as many of them survive as possible. Because this situation will pass. It's temporary.

Last question: if you were a minister now, would you be in favour of a total shutdown of the economy for a short period of time?
I can't answer that, I'm afraid. I'm not a minister now. I was a minister for more than six years, but now I'm at the ECB. What I can tell you is that we at the ECB will do everything possible to keep the euro together and to provide the best funding possible, under the best conditions possible, to the euro area economies, including Spain.
https://www.ecb.europa.eu/press/inter/date/2020/html/ecb.in200330~b4af9f8772.en.html

- New Development Bank

New Development Bank Issues Coronavirus Combating Bond Raising RMB 5 BLN
Ndb Press Release3-Apr-2020
On April 2, 2020, the New Development Bank successfully issued a 3-year RMB Coronavirus Combating Bond in the China Interbank Bond Market. The Bank raised RMB 5 bln (US$706 millions), garnered interest from a high-quality diversified investor base both onshore in mainland China, as well as offshore. The bond was priced at the lower end of the announced pricing range, and the transaction represents the largest-ever RMB-denominated bond as well as the first RMB-denominated Coronavirus Combating Bond issued by multilateral development bank in China.

The aim of this bond issue is to support the Chinese Government in the financing of public health expenditure in Hubei, Guangdong and Henan provinces that are hit the hardest by COVID-19. The proceeds of the bond will be fully utilized to finance the RMB 7 bln (US$989 millions) Emergency Assistance Program Loan to the People's Republic of China approved by the Board of Directors of the Bank on March 19, 2020. This loan will contribute in a material fashion to improving the resilience of the public health sector in the three provinces.

"Since the outbreak of the Novel Coronavirus Disease – 19 (COVID-19) in December 2019, the lives of people and the economy have been heavily impacted," said Mr. Leslie Maasdorp, NDB Vice President and CFO. "NDB is fully committed to supporting our member countries during this period of crisis to fight the spread of COVID-19 and stand ready to provide the necessary financing to this objective."

The Coronavirus Combating Bond met an extraordinary demand from investors. The final order book was in excess of RMB 15 bln (US$2,119 millions), more than 3 times oversubscribed. The bond distribution was well balanced between onshore and offshore investors. The distribution by geography was as follows: China mainland – 41%, EMEA – 45%, APAC (excl. China mainland) –

14%. The bond investor distribution by investor type: Central banks/Official institutions – 54%, Banks/Bank treasuries – 45%, Securities – 1%. The high-quality final orderbook, with notable participation from central banks and official institutions, is a testament to the strength of the New Development Bank's credit quality.

"We are pleased with the strong demand, pricing and the overall exceptional result of this RMB Coronavirus Combating Bond in the China Interbank Bond Market. This RMB bond issue is strategically relevant to our mandate of promoting sustainable development and deepens our commitment to raise funding in the local currency of our member countries. The funding from NDB will specifically provide much-needed emergency support during this period of crisis in our member countries, who are all facing new economic challenges and human hardship," said Mr. Leslie Maasdorp.

Industrial and Commercial Bank of China Limited acted as the lead underwriter and bookrunner. Bank of China Limited, Agricultural Bank of China Limited and China Construction Bank Limited acted as the joint lead underwriters for the bond.

Background information
The NDB was established by Brazil, Russia, India, China and South Africa to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development. To fulfill its purpose, the NDB will support public or private projects through loans, guarantees, equity participation and other financial instruments. According to the NDB's General Strategy, sustainable infrastructure development is at the core of the Bank's operational strategy for 2017-2021. In August 2018, the Bank received AA+ long-term issuer credit ratings from S&P and Fitch.
https://www.ndb.int/press_release/new-development-bank-issues-coronavirus-combating-bond-raising-rmb-5-bln/

- **Asian Development Bank**

ADB President, Attorney-General Discuss Support For COVID-19 Response
FijiSun, 05 Apr 2020
Government has requested a US$200 million (FJ$460m) policy-based loan as part of sub-programme 3 of the ongoing Asian Development Bank-supported Sustained Private Sector-Led Growth Reform Programme.

Part of the proposed loan would help fund Fiji's response to the COVID-19 outbreak. The request will be considered by ADB's Board of Directors in the coming months.

Asian Development Bank (ADB) President Masatsugu Asakawa and the Attorney-General and Minister for Economy Aiyaz Sayed-Khaiyum have discussed how ADB can support Fiji in its fight against the novel coronavirus (COVID-19) pandemic.

"ADB is committed to helping Fiji combat the impact of this damaging pandemic," Mr Asakawa said.

On March 18, ADB announced an initial package of approximately US$6.5 billion (FJ$14.94bn) to address the immediate needs of its developing member countries, including Fiji, as they respond to the COVID-19 pandemic.

ADB stands ready to provide further financial assistance and policy advice whenever the situation warrants.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

https://fijisun.com.fj/2020/04/05/adb-president-attorney-general-discuss-support-for-covid-19-response/

ADB invests US$100 million to support India's PE industry
The Asset, April 2 2020
Development bank's investment in NIIF Fund of Funds will help contribute to greater availability of long-term growth financing for private sector companies

The Asian Development Bank (ADB) and the National Investment and Infrastructure Fund (NIIF) of India on March 30 announced the signing of an agreement under which ADB will invest up to US$100 million equivalent in Indian rupees into the NIIF Fund of Funds. ADB's investment will support the growth of India's private sector by helping the country's maturing private equity industry to efficiently raise capital from international and domestic institutions.

ADB joins the Government of India and Asian Infrastructure Investment Bank (AIIB) as investors in NIIF Fund of Funds, which has now secured US$700 million in commitments. ADB's investment is expected to help attract new investors to NIIF Fund of Funds and enable it to reach its target size of US$1 billion.

ADB vice-president for private sector and public-private partnerships Diwakar Gupta says: "ADB's investment in NIIF Fund of Funds will help catalyze institutional capital into domestic private equity funds in India, thereby contributing to greater availability of long-term growth financing for private sector companies and leading to the creation of quality jobs, social infrastructure development and economic growth."

NIIF managing director and CEO Sujoy Bose says ADB's commitment reflects the bank's confidence in the continued growth and potential of the Indian economy, its skilled private equity fund managers and the large pool of determined entrepreneurs who seek capital to grow and strengthen their companies. "With this capital infusion, NIIF Fund of Funds will be able to increase its support to India-focused private equity fund managers at a time when global fund-raising prospects may be challenging in the short term."

NIIF Fund of Funds was established in 2018 and invests in private equity funds managed by India-focused fund managers, with a focus on smaller and medium-sized enterprises that require growth equity to further scale up their businesses. So far, it has made commitments to three private equity funds aggregating more than US$350 million in equivalent rupees, which invest across several segments, including green infrastructure, middle-income and affordable housing, and entrepreneur-driven middle market growth companies operating across diversified sectors.

The managers of the three funds have been able to raise an additional US$1.1 billion alongside NIIF's investments, demonstrating NIIF's ability to crowd-in capital alongside its own investments. ADB's investment contributes to the fund of funds component of the strategic NIIF initiative by the Government of India. NIIF currently manages over US$4 billion of capital commitments across three funds, each with its distinct investment strategy. NIIF's direct funds are focused on large investments in infrastructure and associated sectors.
The board of AIIB approved an equity investment of US$100 million in NIIF Fund of Funds in June 2018 as part of the initial closing for Phase 1. At that point in time, the bank says it was considering a further investment of another US$100 million as part of Phase II for the final closing, which will bring its total commitment to US$200 million.
https://www.theasset.com/treasury/40091/adb-invests-us100-million-to-support-indias-pe-industry

Developing Asia growth to fall on Covid-19 impact
The Asset, , 3 Apr 2020
Evolution of pandemic and economic outlook highly uncertain

Regional economic growth in developing Asia will decline sharply in 2020 due to the effects of the Covid-19 pandemic before recovering in 2021, according to a report published by the Asian Development Bank (ADB).

The report, entitled Asian Development Outlook 2020, forecasts regional growth of 2.2% in 2020, a downward revision of 3.3 percentage points relative to the 5.5% ADB had forecast in September 2019.

Growth is expected to rebound to 6.2% in 2021, assuming that the outbreak ends and activity normalizes. Excluding the newly industrialized economies of Hong Kong, the Republic of Korea, Singapore and Taiwan, developing Asia is forecast to grow 2.4% this year, compared to 5.7% in 2019, before rebounding to 6.7% next year.

"The evolution of the global pandemic – and thus the outlook for the global and regional economy – is highly uncertain," says Yasuyuki Sawada, ADB's chief economist. "Growth could turn out lower, and the recovery slower, than we are currently forecasting. For this reason, strong and co-ordinated efforts are needed to contain the Covid-19 pandemic and minimize its economic impact, especially on the most vulnerable."

In China, a sharp contraction in industry, services, retail sales, and investment in the first quarter due to the Covid-19 outbreak will pull growth down to 2.3% this year. Chinese growth will rebound to an above normal 7.3% in 2021 before reverting back to normal growth.

In India, measures to contain the spread of the virus and a weaker global environment this year will offset the benefits from recent tax cuts and financial sector reforms. Growth in India is forecast to slow to 4% in fiscal year (FY) 2020 before strengthening to 6.2% in FY2021.

Underpinning much of the weakness across Asia is a deteriorating external environment, with growth stagnating or contracting in the major industrial economies of the US, the eurozone, and Japan.

Some commodity and oil exporters, such as those in Central Asia, will be hit by a collapse in commodity prices. Brent oil prices are expected to average US$35 per barrel this year, down from US$64 in 2019.

All of developing Asia's subregions will see growth weaken this year because of weak global demand, and in some economies because of domestic outbreaks and containment policies.

Subregions that are more economically open like East and Southeast Asia, or tourism-dependent like the Pacific, will be hard hit. Economic activity in the Pacific subregion is expected to contract by 0.3% in 2020 before recovering to 2.7% in 2021.
https://www.theasset.com/capital-markets/40098/developing-asia-growth-to-fall-on-covid-19-impact

- <u>**African Development Bank**</u>

African Development Bank celebrates milestone with first social bond listing on London Stock Exchange
AfDB News, 03-Apr-2020
Record-breaking $3 billion Fight Covid-19 social bond launches on LSE: a first for the Bank

The African Development Bank's "Fight Covid-19" social bond, the largest social bond to date to be issued in the capital markets, listed on London Stock Exchange on Friday 3 April 2020, and is now available through its Sustainable Bond Market.

The listing marks an important milestone as the Bank launches its first bond on London Stock Exchange.

The over-subscribed transaction, which attracted $4.6 billion of interest in the book and raised an exceptional $3 billion, was launched to alleviate the impact of Covid-19 on Africa's economies and livelihoods.

The three-year maturity bond, garnered interest from central banks and official institutions, bank treasuries and asset managers including Environment, Social and Governance (ESG) investors.

Several high-quality ESG investors actively supported this remarkable transaction, including Affirmative Investment Management (UK), Breckinridge, Columbia Threadneedle (USA), the Government Pension Investment Fund, the International Fund for Agricultural Development, Pension Boards – United Church of Christ, PineBridge Investments, Praxis Impact Bond Fund, TIAA/Nuveen and the United Nations Development Program.

"The international community must work together to successfully tackle the coronavirus pandemic. The UK, along with partners like the African Development Bank and London Stock Exchange Group, is supporting the most vulnerable countries to invest in their own health systems and avoid economic hardship," International Development Secretary Anne-Marie Trevelyan said about the listing.

"While we invest in areas like vaccine research to help end the pandemic sooner, this private investment through the AfDB, and our support for emergency lending through the IMF, will also help limit its impact on the global economy," Trevelyan further noted.

The London Stock Exchange, at the heart of London's vibrant financial hub, is championing forward-looking initiatives aimed at deepening and diversifying the market. Its dedicated Sustainable Bond Market (SBM) draws innovative issuers and improves access, flexibility and transparency for investors.

Eligible social or sustainability bonds with use of proceeds aligned to mitigating the impact of Covid-19 will be admitted on the exchange with admission fees waived for an initial period of three-months, London Stock Exchange has announced.

Such social and sustainability bonds fund essential services such as healthcare, water and sanitation, supporting employment, or with a link to the relevant UN Sustainable Development Goals.

Nikhil Rathi, CEO, London Stock Exchange plc and Group Director of International Development, said: "We welcome the first bond from African Development Bank to list on our market and support them in their vital efforts to mitigate the impact of Covid-19 across Africa. This bond highlights the important role that social and sustainability bonds can play in directing funding to those countries, sectors and people across the world heavily impacted by this pandemic."

The Bank established its Social Bond framework in 2017 and raised the equivalent of $5 billion through issuances denominated in US dollars, Euro and Norwegian krone.
The President of the African Development Bank, Akinwumi Adesina, said: "We are proud to announce that our first listing on London Stock Exchange is a social bond. This is only the beginning of a stronger partnership between the African Development Bank and London Stock Exchange. We will mobilize all we can on the capital market to fight the coronavirus in Africa."

The Bank's previous activity in the social bond market has seen financing to build hospital capacity, boost access to health and healthcare services, strengthen health systems, provide improved access to water and sanitation, and create jobs across the continent.

Commenting on the listing, Martin Scheck, CEO of The International Capital Market Association or ICMA, said: "We believe Social and Sustainability Bonds can provide an immediately actionable channel for the market to finance projects that directly contribute to alleviating the social and economic impact of the Covid-19 crisis."

Swazi Tshabalala, Acting Senior Vice President, African Development Bank Group, said: "The African Development Bank is at the forefront of helping African countries fight this pandemic with innovative financing solutions. We welcome this partnership with London Stock Exchange which will help us expand the horizon of investors that are interested and committed to Africa's sustainable development."

Hassatou N'Sele, Treasurer, African Development Bank Group, said: "We appreciate the partnership with London Stock Exchange as we strive together to move the African continent forward. Today more than ever, Africa and the world need to stand as one to ride out the Covid-19 crisis."
https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-celebrates-milestone-first-social-bond-listing-london-stock-exchange-35078

- **Caribbean Development Bank**

CDB makes US$140 million available to counter the COVID-19 pandemic and other disasters
News CDB, Apr 3, 2020
The Board of Directors of the Caribbean Development Bank (CDB) met this week and approved up to US$140 million to be used by the Bank's Borrowing Member Countries to tackle the fallout of the COVID-19 pandemic and other shocks to their economy.

"The economic and social shock of the COVID-19 pandemic will likely be severe in most Caribbean countries. There is the additional concern that the situation could be exacerbated in the near future given our Region's vulnerability to natural disasters, and with the hurricane season less than two months away. We, at CDB, stand ready to assist Caribbean countries to alleviate these shocks," said CDB President Dr. Wm. Warren Smith.

Taking into account the high degree of uncertainty, it is expected that at least 1%-2% could be shaved off previous estimates of global growth as a result of COVID-19. For the Caribbean Region, as a whole, the impact could be even more profound.

"The extent of decline of gross domestic product will depend on the duration of the pandemic and the effectiveness of the policy responses by the countries. Our goal is to ensure our Borrowing Member Countries get access to appropriate financing during the COVID-19 pandemic and to be their partner in the post-crisis recovery," said Dr. Smith.

CDB has responded to its Borrowing Member Countries' need for assistance during this crisis by increasing the limit on its policy-based loans. These loans are designed to respond to exogenous shocks and to support economic growth and poverty reduction through policy reforms. Since the first policy-based loan in 2006, CDB has provided some US$875 million for such loans.

CDB is often the main partner that a number of the Borrowing Member Countries rely on for financing, technical assistance and policy advice during crises.
"The US$140 million allocation is the first of a package of assistance that CDB is developing to assist our Borrowing Member Countries to cope with COVID-19. Our financing and technical assistance, during this period, will be directed mainly towards the most vulnerable within our societies and give the highest priority to strengthening social safety nets," stressed CDB President Dr. Smith.
https://www.caribank.org/newsroom/news-and-events/cdb-makes-us140-million-available-counter-covid-19-pandemic-and-other-disasters

- **World Bank**

The World Bank Strengthens Support to Argentina's Most Vulnerable Families
Modern diplomacy, March 31, 2020

The World Bank Board of Directors today approved a new US$ 300 million operation to support Argentina's efforts to strengthen its social protection system and minimize the impact of the crisis on the most vulnerable families.

The additional US$300 million in financing for the "Children and Youth Protection Project" seeks to improve coverage of family allowance programs administered by the National Social Security Administration (ANSES) and to accelerate the process to include 350,000 children who are still not covered by the Universal Child Allowance (AUH). It will also support the introduction of improvements in ANSES processes to guarantee continued coverage, especially when a parent loses a formal job.

"We appreciate the support of the World Bank in one of the topics on the agenda of the national government's strategic priorities, which is to accompany those who have the least. This project advances in that direction,". said Gustavo Beliz, Argentina's Strategic Planning Secretary.

"Argentina is struggling with Covid 19, which creates new public investment demands. In response to this difficult health and financial situation, the World Bank is supporting investments to protect the most vulnerable population," said Jordan Schwartz, World Bank Director for Argentina, Paraguay and Uruguay. "This financing aims to make the social protection system more inclusive and effective, and to prevent families from slipping into poverty, or assisting them once that has occurred."

The World Bank has supported the AUH program since it was first implemented in 2009. The program forms part of the broader ANSES family allowance system. This benefit is paid for each child under age 18 whose parents are unemployed or informally employed, or who are independent workers or domestic workers and who earn less than the minimum wage. Currently, more than four million children receive the AUH benefit and nearly nine million are covered by the group of family allowances. Participation in the program has increased beneficiaries' school attendance and fulfilment of medical checkups.

Since 2016, the "Children and Youth Protection Project" has successfully contributed to closing AUH coverage gaps. Initially, over 1.5 million children could not be included in the eligibility process of ANSES programs – today the challenge is to include the 350,000 remaining children.

The additional project financing is a variable-spread loan with a 32-year maturity period and a seven-year grace period.
https://moderndiplomacy.eu/2020/03/31/the-world-bank-strengthens-support-to-argentinas-most-vulnerable-families/

- **LATIN AMERICA**

Multilateral Entities Coordinate Response to the Regional Impact of COVID-19 at the Level of the Joint Summit Working Group
ReliefWeb, 6 Apr 2020
The leaders of the organizations that make up the Joint Summit Working Group agreed on Friday, April 3, on the need to coordinate efforts to provide support in the areas of crisis preparedness, mitigation and recovery, in a videoconference called by the Chair of the Joint Summit Working Group (JSWG), the Secretary General of the Organization of American States (OAS), Luis Almagro, and the Director of the Pan American Health Organization (PAHO), Carissa F. Etienne, to discuss coordinated and joint responses to the COVID-19 pandemic. The institutions at the meeting also agreed that multilateralism and international cooperation are essential today to face the crisis.

The multilateral organizations recognized PAHO's efforts to guarantee real-time information to countries and the efficient coordination of national and regional response operations.

PAHO continues to work to limit person-to-person transmission, including reducing secondary infections between close contacts and healthcare workers, as well as preventing events that lead to the expansion of COVID-19 transmissions.

PAHO reiterated the need to identify, isolate, and care for patients early, with care optimized for infected patients, and highlighted that need to communicate critical risk and event information to all communities and to counter any misinformation.

PAHO noted that, in the absence of sufficient RT-PCR tests, many countries are now using or purchasing other types of laboratory kits, including rapid test kits. In general, these rapid tests can be used to detect COVID-19, but should not be used to rule out cases. The severe shortage of PPE (Personal Protective Equipment) is putting a greater number of health workers at risk, especially in countries with weaker health systems and those with a high increase in cases.

Another great challenge is the very low availability of respiratory equipment to treat critically ill patients and the lack of health professionals in some countries. International travel restrictions are affecting the delivery of drugs to treat COVID-19 and other diseases, laboratory kits, PPE, vaccines, and other supplies.

The crisis caused by the pandemic will have serious economic and social consequences for the region, making it necessary to have an inclusive strategy that allows for more proactive measures in supporting countries.

The economic effects of the interruption of value chains in Latin American countries, the contraction of international trade and the decline of tourism in the Caribbean are seen as key problems. Taking into account this context, sources of support should be sought to protect employment and income, avoid the bankruptcy of MSME's (Micro, Small and Medium-sized Enterprises), and meet the needs of the population in poverty, which in its majority it does not have health coverage. It was requested that a joint regional voice be brought before the G20 and that middle-income countries also be taken into account when making loans more flexible.

The countries of the Caribbean, despite the fact that most of them are classified as middle-income, have special vulnerabilities: the pressure of external debt and the recurrence of natural disasters. It is absolutely essential that they have financial relief to cope with the effects of the COVID-19 pandemic.

Participants warned that it will be necessary to have a financial package that can assist countries to address the crisis and that it is important that the region act in a unified manner to promote this approach.

The situation of women was especially considered by the multilateral organizations gathered, given that they are multiply affected and extremely vulnerable to this crisis, firstly because they occupy the majority of jobs in the health sector and, therefore, are largely heroines because day-by-day they face the COVID-19 pandemic and are more exposed. Women's levels of employment have been severely affected because they also constitute the majority of the workforce in the most severely affected sectors, and their enterprises in MSMEs are being seriously disrupted by the crisis. Women are also affected by psychological tension, stress and violence against women resulting from the need for home quarantine. Affirmative support measures are needed.

Participants also analyzed the situation of migrants, as they are among the most vulnerable sectors of the population, because they are the first to become unemployed and refuge centers generally do not have the adequate structure to prevent the COVID-19 contagion.

The development of regional protocols to allow the passage of agricultural products and measures to stimulate intraregional trade were suggested. There is a need to put special emphasis on food security in order to avoid shortages, price increases and cases of social violence.

Specifically, the multilateral organizations mentioned the implementation, or the need to implement, measures of:
- Emergency support
- Strengthening of health systems

- Mitigation of economic effects
- Flexibility in the use of financial resources
- Support to MSMEs and protection of employment and income
- Support for populations that are disproportionately affected by the crisis, including women employed in the most affected sectors and the migrant population
- Support to Caribbean countries, which will be doubly affected, as well as highly indebted low and middle-income countries.

The institutions agreed that the crisis generated by COVID-19 brings an obligation to strengthen multilateralism in the region, because today more than ever global efforts are required to address a situation that exceeds the individual capacities of the member states of the region.

The organizations belonging to the JSWG highlighted the need to make the use of financial resources more flexible in the short term in the region, the need for regional solidarity, and pledged to continue with coordination efforts to strengthen response capacities at the national and regional levels that allow countries to attend to the multiple dimensions of the crisis. The response to the COVID-19 crisis of the organizations represented can be found in the following document, which will be updated here.

The information presented by the entities during the meeting reveals a global panorama of the unprecedented impacts of this crisis and allows for the identification of the measures adopted in recent days in terms of public health, as well as in the socioeconomic sphere of the region. The social distancing measures adopted by the governments of the region will have a negative economic effect, which will aggravate existing vulnerabilities in the region's poorest populations.

The members of the JSWG agreed to meet periodically in order to ensure continuous coordination and update the information shared in the link that shows an overview of the actions of the Inter-American community in support of the countries and peoples of the region.
The Joint Summit Working Group is made up of:

- The Organization of American States (OAS)
- Inter-American Development Bank (IDB)
- Economic Commission for Latin America and the Caribbean (ECLAC)
- Pan American Health Organization (PAHO)
- World Bank
- Inter-American Institute for Cooperation on Agriculture (IICA)
- Development Bank of Latin America (CAF)
- Caribbean Development Bank (CDB)
- Central American Bank for Economic Integration (CABEI)
- International Organization for Migration (IOM)
- International Labour Organization (ILO)
- United Nations Development Program (UNDP)
- Organization for Economic Cooperation and Development (OECD)

https://reliefweb.int/report/world/multilateral-entities-coordinate-response-regional-impact-covid-19-level-joint-summit

- **China**

China continues to cut back Latin America loans
Dialogochino, April 3, 2020
Robert Soutar
Chinese policy bank loans to Latin America dip to 10-year lows as oil-backed deals wane and new lenders and partnerships emerge

For the fourth consecutive year, China's two main banks tasked with financing overseas development have rolled back loans to Latin America, according to new research from Boston University and think-tank the Inter-American Dialogue.

China Development Bank (CBD) and the Import-Export Bank of China (China Exim) lent US$1.1 billion to the region in 2019, down from $2.1 billion the previous year and the lowest annual amount for a decade.

Instead of lending directly to Latin American governments, Chinese banks are investing in energy and infrastructure projects through funds or financing Chinese state-owned companies bidding for projects, the report said.

As the so-called “commodities super-cycle” ended in 2015, the oil-for-loans agreements extended to countries such as Ecuador and Venezuela – the recipient of 45% of the total US$142 billion lent to the region since 2007 – also appear in demise.

“China is no longer acting as a financial lifeline for the region’s more fragile economies,” said the report.

The Dominican Republic (US$600 million), Suriname ($200 million) and Trinidad and Tobago ($104 million) each received one loan from a Chinese policy bank in 2019. Of top borrowers Venezuela, Brazil, Ecuador and Argentina, only the latter featured in the four deals struck last year – a $236 million loan to buy railway cars.

Though the latest figures suggest cooling Chinese state-backed lending to support development in the region, they more accurately reflect one way in which it has begun to change – even before the global spread of Covid-19 created a bleak economic outlook for 2020.

“An increasingly wide range of other China-backed financial institutions and platforms are actively engaging the región”

Rather than relying on CDB and Exim to develop the hard infrastructure and conventional energy projects that have been the primary focus until now, new actors and investment vehicles are emerging.

“An increasingly wide range of other China-backed financial institutions and platforms are actively engaging the region,” the report said.

These include co-financing initiatives with regional Latin American development banks and loans from China’s major commercial banks, which Boston University and the Inter-American Dialogue’s finance database have so far not tracked.

Commercial lenders include the Industrial and Commercial Bank of China (ICBC), which backs Argentina’s controversial Santa Cruz dams.

Regional funds the China-LAC Industrial Cooperation Investment (CLAI) Fund, China-LAC Cooperation (CLAC) Fund, and Special Loan Program for China-Latin America Infrastructure, have also emerged, focusing mainly on Brazil.

The downward trend in policy bank lending is accompanied by an upward tick in Chinese outward foreign direct investment (OFDI) – companies expanding into new countries with greenfield investments or mergers and acquisitions

Last year, Chinese companies invested US$12.8 billion in Latin America, up 16.5% on 2018, according to new data released by the China-Latin America Academic Network (Red ALC-China). China was the source of 7.5% of total FDI in Latin America in 2019.

This is despite a year typified by investor wariness globally, largely resulting from the uncertain consequences of China-US trade tensions.

Publicly-owned Chinese enterprises accounted for 86% of Latin American OFDI in 2019. Three Gorges (CTG) cooperation and State Grid, both of which operate in the electricity sector, have dominated the field in recent years.

Most major deals involved acquiring other foreign companies' operations or forming new consortia with regional partners. In 2019, CTG gobbled up US-based Sempra Energy's share of Peruvian projects, including its 84% stake in electricity distribution firm Luz del Sur, the year's biggest transaction.

In February, Xinjiang TBEA Group Company, a consortium of Chinese companies, put up US$2.3 billion for 49% of a joint venture with Bolivian state-run lithium company Yacimientos de Lítio Boliviano (YLB). The partnership will see development of the coveted technology metal used in electric vehicles manufacturing.

Ousted Bolivian president Evo Morales said on signing the deal: "Why China? There's a guaranteed market in China for battery production," Reuters reported. However, political uncertainty following Morales' ouster has cast doubt on such contracts.

Despite the higher total, Chinese foreign direct investment in Latin America was concentrated in fewer transactions last year, just 19 compared to 56 in 2018, and there was a higher share of mergers and acquisitions than new projects compared to previous years.

One drawback of new Chinese investments' capital intensiveness is that they generate fewer jobs locally, which has been both a cause for celebration and source of tension as positions tend to be low-skilled.

One drawback of new Chinese investments' capital intensiveness is that they generate fewer jobs locally, which has been both a cause for celebration and source of tension as positions tend to be low-skilled.
https://dialogochino.net/en/trade-investment/chinese-investment-latin-america-cut-back/