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MÁS ALLÁ DE LA TRIPLE CRISIS: ¿CONTINUIDAD O CAMBIO?

25 Y 26 DE MAYO DE 2021

BEYOND THE THREE-FOLD CRISIS: CONTINUITY OR CHANGE?

MAY 25 AND 26, 2021

Role of Development Banks During the Crisis and in the Economic Recovery
(Basic Document)

General Secretariat
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CONTENTS

INTRODUCTION

Public development banks, as a finance policy instrument, act in line with government provisions, supporting national efforts to mitigate the COVID-19 crisis by providing resources for the production and social sectors. The measures used by banks in Latin America and the Caribbean have been similar, with those in heaviest use being loan guarantees, debt payment deferral, interest rate reductions, new loans, creation of financing lines for specific sectors and strengthening of financial intermediary stable capacity.

The response of the financial system in general, and of public banks in particular, was rapid and well-timed during the pandemic. It was precisely the latter that in many cases acted more forcefully, with noteworthy countercyclical action in channeling resources toward needs identified by the governments. Space remains in this sphere for financing to promote investment in sectors that invigorate and reactivate the economy. This performance has demonstrated the significant role played by development banks in the region's economic recovery.

Also worth pointing up is the smooth relationship put into play by public banks with regional and multilateral financial organizations, in addition to national financial intermediaries, and the role of the latter in coaching efforts to mitigate the pandemic. Unlike previous episodes, --such as the financial crisis of 2008--, this action has for the most part been countercyclical.

This document, divided into four chapters, takes a look at what the crisis has signified in Latin America and the Caribbean, and the action taken by development banks in that context. The first chapter describes the evolution and performance of the development banks, examining their contribution to fund-raising to support enterprises, families and subnational governments during this difficult economic situation. In other words, it gauges just how important the efforts of the banks have been in fulfilling their countercyclical function.

The second chapter presents the economic and social effects of the COVID-19 outbreak in the region, in terms of employment, poverty and SMEs, as well as their impact on enterprise and State resource availability and indebtedness. It also considers the prospects for the recovery of the largest economies, with which the region maintains strong ties, as important export markets.

The third chapter takes up Development Bank actions and their adaptation for streamlining digital media use as an alternative for keeping up the resource flow during the pandemic. As such, it includes a rapid review of government measures, development bank actions, access to financing sources, and the importance and support of regional financial entities –IDB, CAF, CDB, Fonplata, CABEI—and multilateral organizations like the World Bank Group.

The fourth chapter sets out the challenges facing Latin America and the Caribbean and the national development banks in the economic recovery process. These measures coincide with the coaching of government strategy implementation for financing sustainable enterprise, subnational government and household economic recovery. It ends with the presentation of several conclusions.

I. DEVELOPMENT BANK EVOLUTION AND PERFORMANCE

The pandemic has unleashed an unprecedented global economic and social crisis. Latin American economies confronted that crisis burdened by a series of unresolved structural problems that have worsened, like informality, the lack of social protection, and low productivity levels. The COVID-19 onslaught served to uncover serious shortages and fragility in the health and educational sectors. To this, we must add the challenges that ensuring its involvement in the fourth industrial revolution or connected 4.0 industry (IoT, Big Data, Analytics, Teleworking, etc.) trends pose for the region. The current situation will only serve to increase the social pressure on governments and the demand for swifter-acting responses in the production sectors and in creating jobs.

A situation which, insofar as some of its features is concerned, is not indifferent to regional, national and subnational development banks, as shown by events in the 2008 global financial crisis, when national development banks shored up the macroeconomic front by injecting resources into the system in the face of heavy lending restrictions imposed by private financial institutions; and at the micro level, supported specific economic agents and sectors by mitigating the credit restrictions on the system's most vulnerable agents, in addition to guaranteeing the financing of their economic activities and of those prioritized by public policy due to their impact on development.

In response to the crisis, it should be recognized just how essential development banks are for the world's reconstruction and specifically that of Latin America and the Caribbean. These financial institutions have operated actively for quite some time, above all in crisis situations, and should help to recover and maintain stability. The presence of public development banks (PDB) in the world is no less important. They manage assets on the order of 11.2 billion and finance investments totaling more than 2.3 billion a year --10 % of all public and private investment.[1] Furthermore, they serve as the link between the governments and the private sector in generating microeconomic projects, short- and long-term priorities, and coordinating the players in international financing agendas.

Figure N°1: Development finance institutions at the Global level

Prepared by: ALIDE

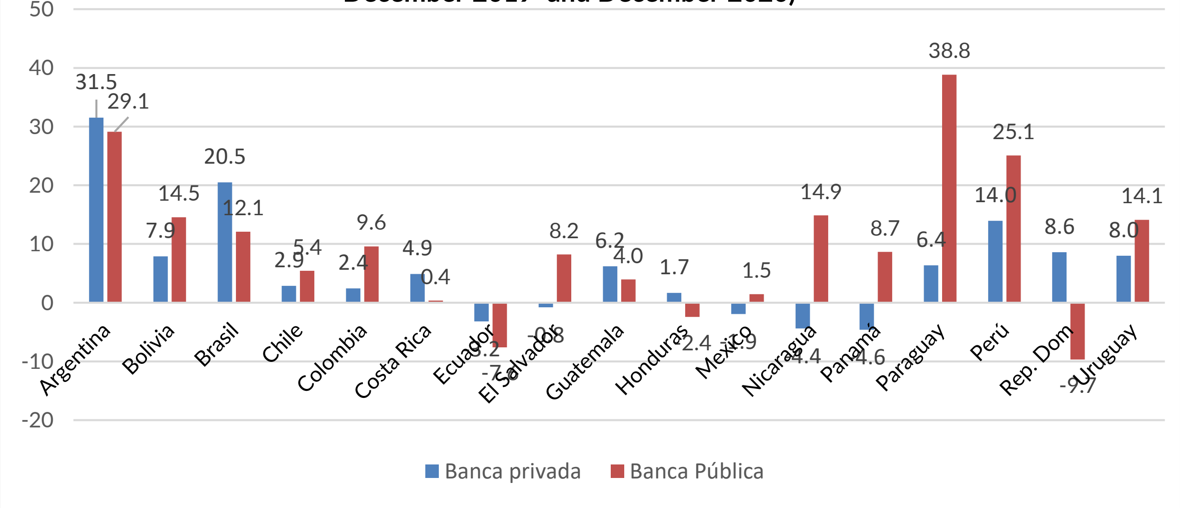
Latin American and Caribbean (LAC) national public and development banks devoted their efforts to taking measures to mitigate the negative consequences of the pandemic. As a result,

[1] https://financeincommon.org/why-finance-in-common#what-are-public-development-banks.

new credit lines were granted to enterprises in sectors like health, industry, agriculture, tourism, SMEs, foreign trade and others. New loans were made to families and subnational governments; financial intermediary borrowing limits were raised; guarantees were provided to enable the most vulnerable sectors to obtain loans in better conditions; and debt payments were deferred and their limits extended, among other measures.[2]

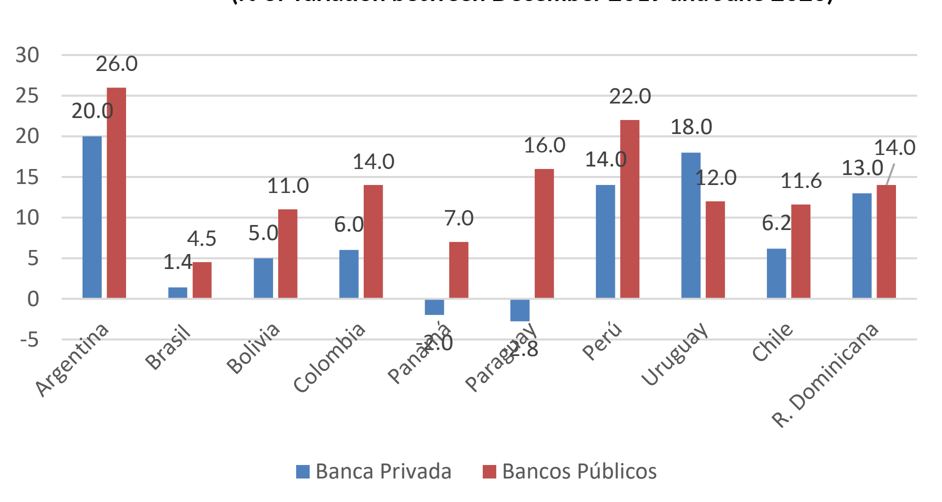
Loan portfolios of the different LAC public banks expanded in almost all of the countries in 2020, except for Ecuador, Honduras, and the Dominican Republic (Figure N°2), illustrating the countercyclical impact of those institutions during crisis situations. That trend was already taking shape in the initial estimates of the mid-2020s (Figure N°3**).**

Figure N°2: LAC Public Banking / Private Banking Loan Portfolios (% of variation between December 2019 and December 2020)



Source: Offices of the Banking Superintendents, Central Banks.
Prepared by: ALIDE
–Private banking -Public banking

Figure N°3: LAC Public Banking / Private Banking Loan Portfolios (% of variation between December 2019 and June 2020)



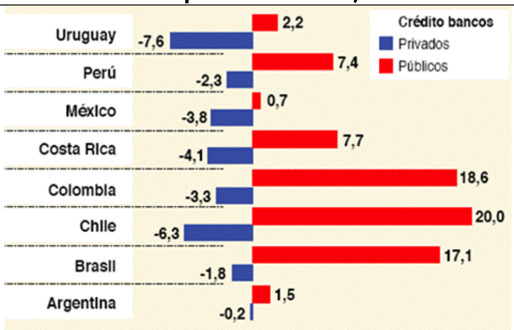
Source: Offices of the Banking Superintendents, Central Banks.
Prepared by: ALIDE
Private Banking -Public Banking

[2] Chapter III offers more details about the measures taken by public banks.

The analysis of a sample of 66 public financial institutions revealed that 71.2% raised their portfolio balances by 21% on average and the remaining 28.8 % saw them decline by an average of -7.4% in 2020. It should be added here that public banks redirected their resources toward the production sector. By way of example, in 2020 the Banco Provincia de Buenos Aires saw its loan portfolio targeting the production sector more than double to a level of $97,463 million pesos, outpacing the financial system as a whole by 22.5 percentage points.

Unlike what was noted in the crises of 2008 and 2014, after a shaky year of capital flight in the region (see Figures N°4 and 5), on this occasion, the private financial system acted as a mitigating element, rather than amplifying the crisis, except in the cases of Nicaragua and Paraguay. Part of that performance can be traced to the important emergency programs enacted by the governments like Reactiva Perú, administered by the Corporación Financiera de Desarrollo (Cofide)[3] and the Emergency Access to Credit Program of Brazil's BNDES.[4]

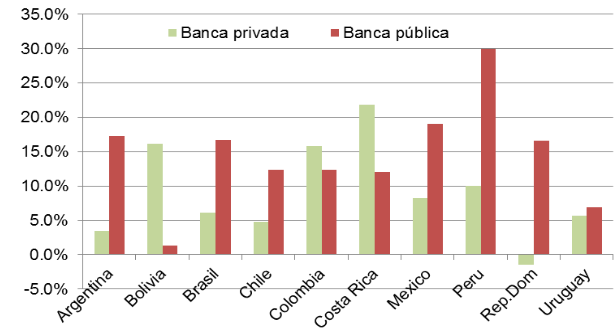
Figure N°4: LAC Public Banking / Private Banking Credit (% of variation between December 2008 and September 2009)



Source: ECLAC.

Bank credit -Private banks. -Public banks

Figure N°5: LAC Public Banking / Private Banking Credit (% of variation between December 2013 and December 2014)



Source: ALIDE Database
Prepared by: ALIDE

Private banking. -Public banking

There is evidence that during the pandemic, the response of the financial system and public banks to the emergency in 2020 was rapid and well-timed, and that the latter responded, in many cases, more forcefully. This pointed up their countercyclical performance compared with that of the national economy, revealing an important use of funds raised by the banks, in line with the needs identified by the governments. An important space was identified for fund-raising to promote investment in sectors that would invigorate and reactivate the economy, giving public banks a significant role to play in the countries' economic reactivation.

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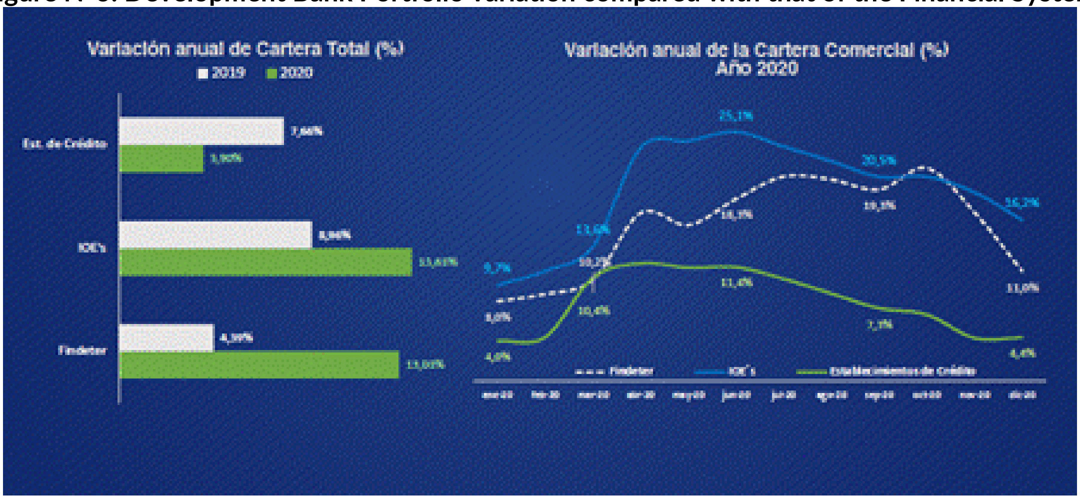
[3] Reactiva Perú reached a total de S/.57,800 million (some US$17,000 million) between May and October of 2020, **which** pushed up annual bank credit growth to a level of 11.4% that year. The program benefited more than 501,000 enterprises, 98% them micro and small enterprises. It enabled SME loans to expand by 41.6%, loans to medium enterprises by 53.4%, and loans to large enterprises by 21.8%. Excluding Reactiva, SME and medium enterprise loans declined by -4.9%, and loans to large enterprises by -6% in 2020. https://www.datasur.com/reactiva-peru-impulsa-creditos-bancarios-a-una-tasa-de-crecimiento-anual-4/#:~:text=El%20Banco%20Central%20de%20Reserva,11.4%25%20en%20ese%20mismo%20a%C3%B1o.

[4] Loans dropped heavily in Brazil at the start of the crisis, primarily in the case of private banking, and by 10 % in the second quarter of 2020 as compared with the previous quarter. Loan approvals returned to pre-crisis levels at the end of 2020. The creation of emergency programs in the second half of the year boosted public and private banking portfolio growth (Central Bank of Brazil, 2021).
BNDES assistance to Brazilian enterprise efforts to fight the pandemic reached a level of US$29.7 billion in 2020, benefiting some 390 thousand enterprises that are responsible for creating over 9.5 million jobs. The principal measure adopted was the PEAC which, as of its launching on June 30 of last year, has guaranteed US$ 17.8 billion for 114 thousand enterprises, of which US$15.9 billion were allocated to SMEs.

Table N°1: Development Finance Institutions in Colombia[5]

As commonly happens during economic slowdowns in Colombia, private credit tends to be less plentiful when economic activity declines. This could be seen in 2020, with a 16% reduction in financial system disbursements. Prior to this period, the growth of special official institution (IOEs) commercial portfolios was 4% higher on average than those of the financial system. Growth after that period climbed above 13%. Specifically speaking: 1) Colombia's economic slowdown in 2020 saw private banks adopt procyclical behavior; 2) Colombian development banks accomplished their countercyclical task and responded by raising their credit offering three times higher than that of the system in general; 3) Findeter has continued to play its countercyclical role, with disbursements in 2020 at levels 24% higher than those of 2019 and commercial loans rising by 11% in 2020, compared with the 4% annual growth rate of the lending establishments.

Figure N°6: Development Bank Portfolio variation compared with that of the Financial System



Source: Findeter

Total Portfolio Annual Variation (%) Commercial Portfolio Annual Variation (%) in 2020

In Findeter's case, its stronger portfolio growth than that of the system in 2020 can be attributed to its rapid and well-timed response to the still present need. The institution created eight credit lines for emergency use, with lines focusing on the neediest sectors –health, education and energy, among others— to offset the reduction in income produced by the emergency. The lines for combating the effects of COVID-19 added up to some US$1,089 million. Four credit lines totaling US$466 million were created to boost the economy, with a large portion of these resources directly targeting territorial entities –municipalities— for investment in working capital associated with projects promoting economic revival. A total of US$637 million were disbursed through these credit lines, equivalent to 45% of Findeter's total disbursals between January 2020 and March 2021. The rates are set in accordance with the bank reference indicator (IBR)[6] and for an average term of 9 years.

In the case of direct credit, three lines were created when the government approved this type of operation for compensating balance interest rate loans –in other words, resources granted by the Nation to enable public and private enterprises to implement projects with a social impact, under the most favorable market conditions. Before the outbreak of the pandemic, Findeter had already determined that the government subsidized credit rate was lost in the intermediation cost charged by the ground-floor or retail bank. For that reason, the institution sought to raise funds from the government and was able

[5] Presentation by Mónica Palomino, Director of Economic Studies, Financiera del Desarrollo (Findeter), Colombia, at the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts the COVID-19 Pandemic," held on April 6 and 8, 2021.

[6] The IBR is a short-term reference interest rate denominated in Colombian pesos that reflects the price at which banks are willing to offer or raise funds in the money market.

to disburse US$107 million to water, public utility and energy companies at zero percent interest. Fully 76% of the territorial entities favored were poor municipalities.

In some cases, public banks were able to exceed heretofore unreached loan or disbursement targets. A case in point is Banco de Desarrollo de Minas Gerais (BDMG), which closed the year 2020 by setting a nominal disbursement record for its institution of R$2.85 thousand million, 118% larger than in 2019. Of the total amount, 73% came from its own resources, 26% from transfers from other institutions and 1% from funds. Micro and small enterprise was the beneficiary segment showing the heaviest growth, with R$,906.2 million, over four times the amount (+343 %) disbursed in 2019, setting another historical record for the Bank. The Banco de Comercio Exterior de Colombia (Bancóldex), for its part, reported total loan placements of $6.76 billion in 2020 –up 26% on the figure for 2019. Of this total, Bancoldex granted $3.62 billion to MSMEs through other financial institutions, of which $2.23 billion went to over 9,000 SMEs and $1.32 billion reached 162 000 microenterprises in 1 042 Colombian municipalities. The Banco de Fomento Productivo (BFP) of Nicaragua also played a prominent role in the national financial system in the area of liquidity management, raising its percentage of funds channeled through the national banking system by 127%.

II. EFFECTS OF THE PANDEMIC IN LATIN AMERICA

The sudden outbreak of the COVID-19 pandemic at the end of 2019 created a climate of uncertainty and confusion. Even though more was being learned about the situation a few months later, its economic effects and the international crisis being generated produced an uncertain outlook. The belief was that it would be a much more serious crisis than that of 2008 and only a little smaller than the great depression of 1929, although the latter depended, according to the International Monetary Fund (IMF), on whether the base scenario would be fulfilled –in other words, that by the second half of the year a certain degree of control would have been exercised and the production system would have started to gradually return to normal.

In its *"Global Economic Outlook"* report, the IMF (in April 2020) claimed that in the 1929 depression, the global economy declined 10% and the developed countries, 16%. In the 2008 financial crisis, the world economic growth rate dropped from 2.8% to -0.6% in 2009. The Fund's estimates at April 2020 projected a global economic contraction of -3% and of -6% if the situation at that time continued to exist throughout the year, and a further -6% if it lasted up until 2020. If the situation does not worsen, there could be a 5.8% leap in growth in 2021. The estimates in the case of Latin America and the Caribbean were -5.2% in 2020 and 3.4% in 2021.

In the end, the global economy contracted by -3.5% in 2020, closer to the lower limit foreseen by the Fund. Latin America and the Caribbean, on the other hand, suffered a -7.4% slowdown, far more serious than had been estimated and this will undoubtedly involve a more serious deterioration in the well-being of the region's countries. ECLAC estimated the decline in GDP at -7.7%.

At the recent Second Meeting of Chief Economists of Latin American and Caribbean (LAC) Development Banks[7], representatives of international and regional organizations (IDB, ECLAC,

[7] The graphs and a large part of the ideas and references presented in this section originated in the presentations of the panelists at the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts

CABEI, IMF and WB) demonstrated that LAC is the developing region most seriously affected by the COVID-19 pandemic. With 8.4% of the world's population, it has sustained 30% of the deaths and is experiencing the worst recession of the last 120 years. The situation was already complicated before the outbreak of the pandemic and COVID-19 served to magnify the structural gaps like its inequality, limited physical space, low productivity level, high degree of informal labor, fragmentation and weakness of the social and health protection systems and high degree of urban overcrowding. In addition, there are the rise in unemployment, informal labor (54%), poverty and inequality, the massive shutdown of SMEs and the existence of 40 million households without Internet connections that makes their integration into a rapidly growing digital economy impossible.

Eclac estimates that more than 2.75 million formal enterprises in the region went out of business —2.65 million of them being microenterprises and 98.7 thousand, medium enterprises—, entailing a loss of 8.5 million jobs, without considering the cutbacks in employment by companies that will continue to operate. The sectors most seriously affected and in which more jobs could be lost due to their closing, are wholesale and retail trade; other community, social and personal activities; hotels and restaurants; real estate, entrepreneurial and rental activities; and manufacturing, in that order.[8]

Furthermore, drawing on information compiled by the business chambers, Eclac stressed that in Colombia, 96% of the enterprises saw their sales revenue dwindle and 82% of the formal companies will only be able to continue operating with their own resources for between one and two more months. In Brazil, 76% of the industrial firms reduced or stopped production activities and 55% experienced problems in acceding to working capital loans. In Argentina, 44% of the industrial companies had no liquidity with which to pay 50% of their workers' wages in April, 38% were unable to pay their utility bills, 48% could not pay their suppliers, and 57% paid no taxes. In Chile, 37.5% of the enterprises reduced their payrolls between April and May, and 44% were in a poor or critical financial situation. In Uruguay, 59.4% of the commercial and service firms had sent their employees to collect unemployment insurance. The situation is even more serious in the lodging and food services sector (81.5%). In Panama, the sectors that sustained the sharpest drops in income were hotels (-99.4%), construction (-86.4%), restaurants (-85 %), retail trade (-83.8%) and tourist services (-78.7%). Enterprises in Central America would need from four to nine months to recover their pre-crisis billings levels.

Table N°2: Effects of COVID-19 on OECD SMEs

Something similar can be seen in the countries of the Organization for Economic Cooperation and Development (OECD), where SMEs account for more than 50% of all employment, to which it must be added that the proportion of SME jobs in the sectors most heavily affected by the crisis is 75 % -- that is, in the transport manufacturing, construction, wholesale and retail trade, air transport, lodging and food services, real estate and professional services and other personal services (such as beauty parlors and barber shops) sectors.[9]

The OECD, in turn, using data taken from 41 SME surveys across the world, warned that over one-half of them were facing severe income losses. One-third of the SMEs feared that they would be left without any support in one month's time and up to 50% within three months. It also added, referring to information from other sources in various countries, that between 25% and 36% of the small enterprises

the COVID-19 Pandemic," held on April 6 and 8, 2021. https://www.alide.org.pe/encuentros-virtuales-de-economistas-jefe-2021/.

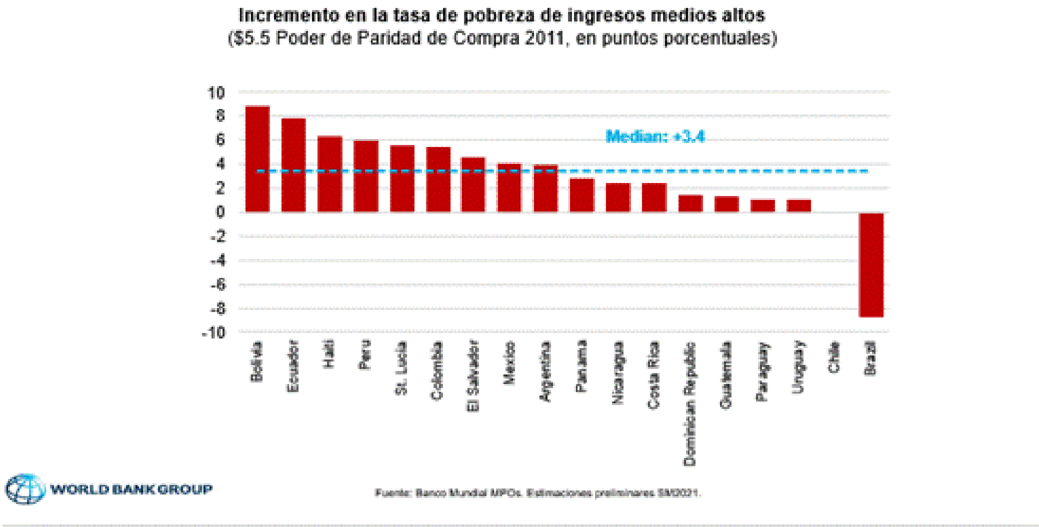
[8] Eclac (2020), *Sectors and enterprises faced by COVID-19: emergency and reactivation*, Special COVID-19 Report N°4. https://repositorio.cepal.org/bitstream/handle/11362/45734/4/S2000438_es.pdf

[9] OECD (2020), *Coronavirus (COVID-19): SME policy responses*, Policy Responses to Coronavirus (COVID-19) Updated on July 15 . http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/#blocknotes-d7e3559.

could close down permanently because of the interruption of their business activities during the first four months of the pandemic.

Unemployment, for its part, climbed to 10.7%. The International Monetary Fund (IMF) had the following to say in this regard, through its Managing Director, who stated in mid-July 2020 that “in some countries, more jobs have been lost in March and April 2020 than have been created since the end of the global financial crisis,” employment created primarily by SMEs. For that reason, a significant part of the government’s response has focused on this sector. She went on to add that “SME bankruptcies could very well triple, from a pre-pandemic average of 4% to up to 12 % in 2020.”[10]

Figure N°7: Rise in the poverty rate from medium high income levels ($5.5 2011 Purchasing Power Parity, in percentage points)



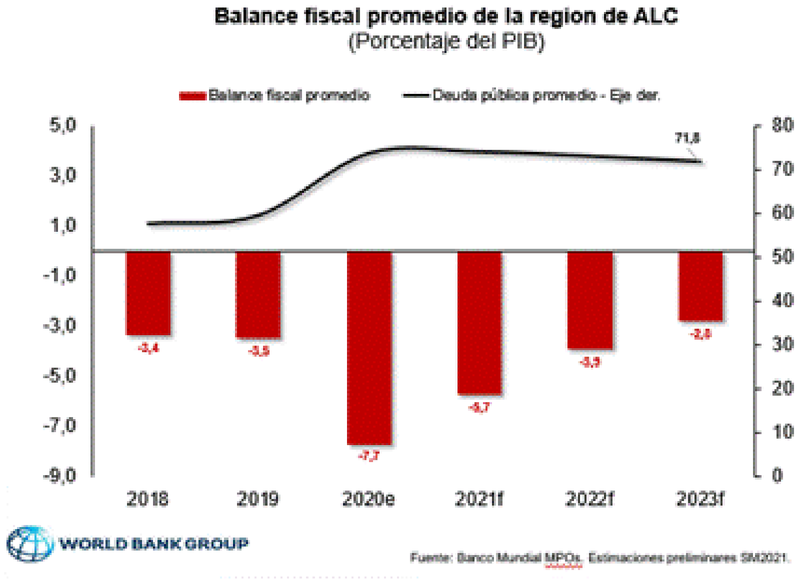
Source: World Bank MPOs. Preliminary estimates

The impact of the pandemic has also seriously deteriorated fiscal accounts. The average fiscal balance dropped to 7.7% and is expected to decline further to 2.8% by year-end 2023. Enterprise leveraging, for its part, had been rising over the past decade, with over one-fourth of them being highly leveraged. The pandemic will undoubtedly significantly add to the percentage of enterprises with debt at risk. A shock to risky corporate debt could seriously reduce bank capitalization and this would affect the region’s banking sectors, in a scenario in which 15% of the corporate debt at risk would turn into non-performing loans (NPL) and the arrears rate would jump from 2.7% to 7.5 %.

Figure N°8: LAC Region Average Fiscal Balance
(Percentage of GDP)

Average Fiscal balance -Average public debt – right axis

[10] Kristalina Georgieva (2020) The next phase of the crisis: New measures are needed for a resilient recovery. July 16. https://blog-dialogoafondo.imf.org/?p=13795.



Source: World Bank MPOs. Preliminary estimates

Figure N°9: The non-financial corporate debt % GDP

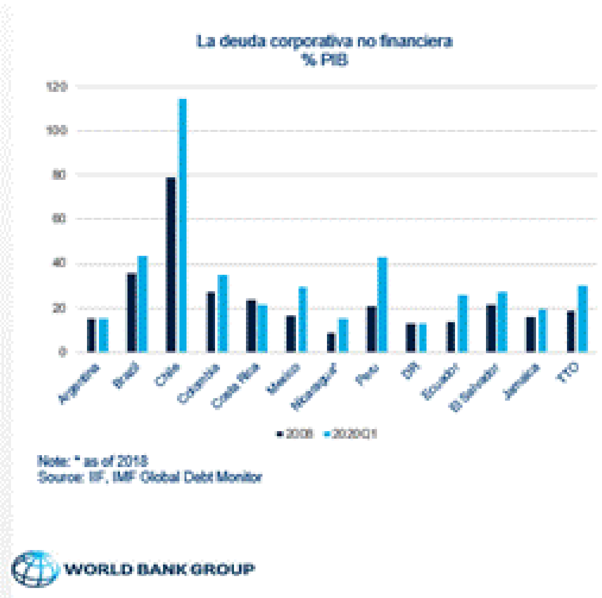
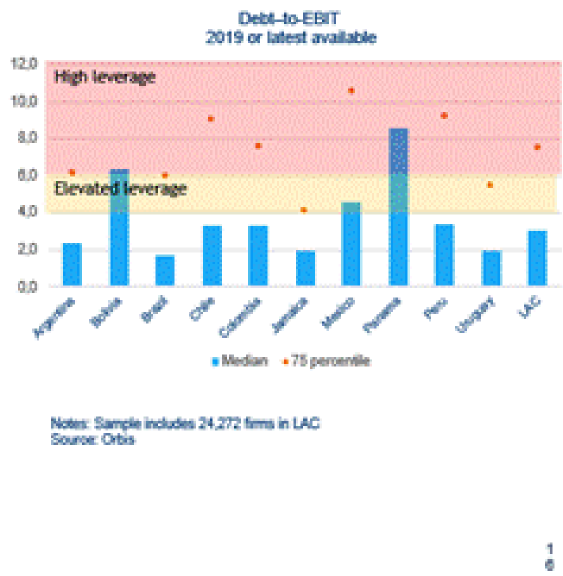


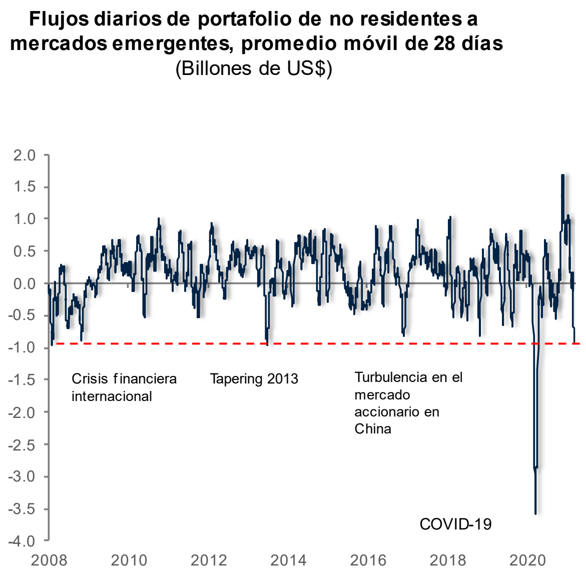
Figure N°10: Debt to EBIT 2019 or latest available

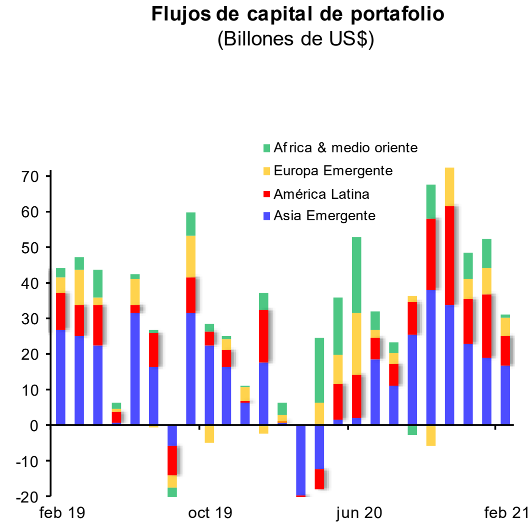


Furthermore, capital flows to the region have slowed in recent months, dropping in mid-March 2020 to levels of 2013, when capital flight became serious.

Figure N°11: Non-resident portfolio daily flows to emerging markets 28-day running average (Billions of US$)

Figure N°12: Portfolio capital flows (Billions of US$)





WORLD BANK GROUP

Fuente: IIF.

International financial crisis
Stock market turbulence in China

Africa & the Middle East
Emerging Europe
Latin America
Emerging Asia

Source: IIF

The Latin American and Caribbean countries invested 4.3% of GDP in fiscal measures and 2.5% in state loan guarantees, raising the fiscal deficit and debt, as the world's most indebted developing region (79% of GDP) with the largest external debt service in relation to its exports (57%). The Caribbean external debt is expected to triple to a level of 17% of GDP.

III. DEVELOPMENT BANK ACTIONS DURING THE PANDEMIC

3.1. General government actions and measures

With the outbreak of the pandemic, the governments of almost all of the world's countries announced a series of policies and of compensatory and subsidy programs to enable them to face up to the crisis. Some are based on budget expansions or reorientation, others on taking up new debt, suspending external or domestic debt payments; money emission; and support programs for production sectors and/or those that protect enterprises and the general population, particularly the most vulnerable groups.

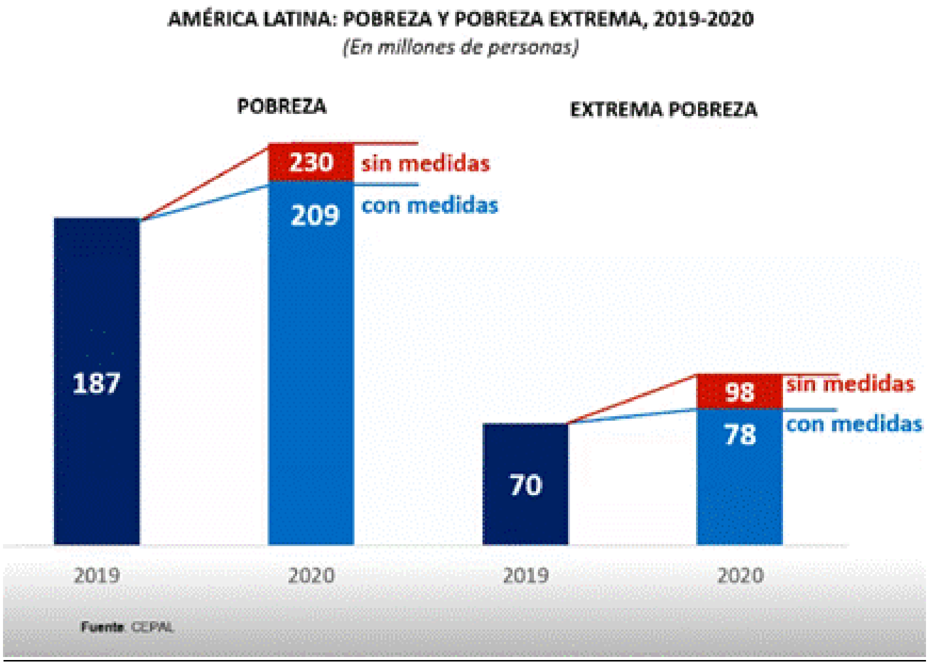
The region's governments initially turned their efforts to trying to stem the pandemic's advance. Even so, they also implemented some specific measures, like supporting the production and social sectors. They accordingly adopted more extreme and strongly expansionary measures, like reducing interest rates to a bare minimum close of zero; making monetary policy more flexible; purchasing assets and providing liquidity to the financial system; relaxing regulation or deferring the application of regulatory provisions; guaranteeing bank loans or expanding their coverage; provisioning development banks with capital -- BancoEstado de Chile received US$500 million in capitalization—; and authorizing public banks to channel resources to institutions like fintechs. In some cases, like that of Peru, these measures even accounted for up to 12% of GDP.

Government fiscal and monetary responses and actions were aimed at reducing the spread of the crisis and to providing liquidity to enterprises, families, and local or subnational governments, in order to protect employment and avoid destruction of the entrepreneurial system, above all that of the smallest enterprises and strategic sectors, like the suppliers of basic products for the people's survival –food, health, and basic services— and of essential services that keep the economy operating –transportation, fuel, banks, etc.

The Latin American and Caribbean countries invested 4.3% of GDP in fiscal measures and 2.5% in state loan guarantees, for a total of 6.8% of GDP, raising the fiscal deficit and debt, as the most indebted region of the developing world (79% of GDP) with the highest debt service in relation to its exports (57%). The external debt is expected to triple in the Caribbean case to a level of 17% of GDP. The countries took highly important measures, to which, in 2020, they committed 1.25 % of the region's GDP (2 times the annual expenditure on conditional transfers and social pensions). This produced an impact on 49.4% of the estimated population: approximately 84 million households and 326 million people. With an announced total value of US$86,000 million, 33 monetary transfers were made and for the first time informal workers were included. These measures were able to move 209 million people out of poverty, 21 million more than would have been achieved without this response. Those living in extreme poverty were reduced from 98 to 78 million people.

Support for the production sector at risk (2.7 million SMEs) did not prove to be fully satisfactory because of the weakness of the banking system's response. For that reason, corrections were made to the credit policy in order to extend the coverage, such as: 1) Retail credit programs were developed, in which the public sector assumed direct responsibility for granting the funds to the MSMEs; 2) Guarantee lines were created targeting specific segments with different conditions, including lines for large enterprises affected by the pandemic; and 3) Strategies differentiated by territory were put into effect.

Figure N°13: Latin America: Poverty and Extreme Poverty, 2019-2020
(in millions of people)



Source: ECLAC

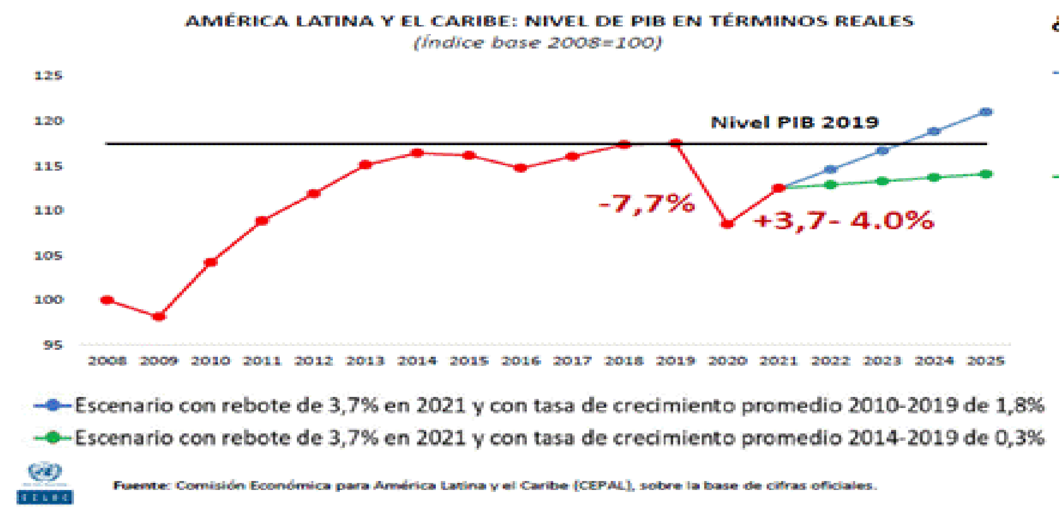
POVERTY: -without measures; -with measures.

EXTREME POVERTY: -without measures; -with measures

The region is confronting another lost decade and its return to pre-pandemic levels will only become possible in 2024, if it is able to reach growth of 1.8% thereafter (average for the past decade). Or in the next 10 years, if afterwards its growth amounts to 0.3% (average for the past six years). The measures that were taken covered one-half of the region's population and stemmed the increase in poverty. Recovery/reconstruction with equality will require building new coalitions and political, fiscal and social pacts on financing, adaptation to climate change and equitable access to vaccines.

Figure N°14: Latin America and the Caribbean: GDP Level in Real Terms (2008=100 base index)

2019 GDP Level



Scenario with 3.7% rebound in 2021 and with a 2010-2019 (2014-2019) average growth rate of 1.8%
Scenario with 3.7% rebound in 2021 and with a 2010-2019 (2014-2019) average growth 0.3%.
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official statistics.

Despite the fiscal assistance that was able to be given, social indicators continued to worsen. A sharp rise in poverty levels and the worsening of income redistribution could be noted. Forecasts indicate that the 7% recession of 2020 will give way to a 6% recovery in 2021. The region's recovery is slow and varied, depending upon the particular country. Chile, for example, thanks to its vaccination plan, is expected to reach its pre-pandemic production level by the end of 2021. Given the high debt ratios that exist (above all in Brazil), the region apparently does not have much fiscal alternative but to continue providing assistance.

Unlike the case of past crises, on this occasion, private banks also took action, but not to an adequate degree, or with the characteristics and scope of that of public and development banks. So much so that the responsibility for upholding credit and providing liquidity and short- and long-term financing has devolved upon public banks. Together with general policy measures, the region's governments launched a series of specific measures to offset the adverse effects of the crisis on the national economies, and many of these measures have been designed by and have national development finance institutions as their executive arm, in cooperation with local financial systems and regional and multilateral financial organizations.

This cooperation in Latin America and the Caribbean is provided through CAF-Development Bank of Latin America, Fonplata-Development Bank, the Caribbean Development Bank, the Central American Bank for Economic Integration (CABEI), the Latin American Export Bank (Bladex) and the Inter-American Development Bank (IDB); together with extra-regional development banks of developed countries.

3.2. Development bank measures

The measures adopted by development banks have generally been in line with government provisions, emphasizing the smallest production units. Unlike the case of past crises, given the nature of this unprecedented situation, health is a sector that has been given attention –in other words, enterprises or entities that provide health services and enterprises that produce sanitary materials, as well as technological solutions for COVID-19 monitoring and control.

This crisis is a veritable challenge for economic policy implementers, and especially for our development finance institutions, as their countries' finance policy instruments. Development banks are revealing their special importance in the countries in these difficult times, by playing their three important roles: countercyclical action, resource decentralization and spread, and sustainment of the production system and employment.

It is in this context that the presence and action of development banks, as public finance policy agents, assumes greater importance in the fulfillment of their countercyclical role, without losing sight of a long-term vision and a permanent income distribution policy.

In the immediate term, development banks have tended to help countries weather the financial crisis by making more resources available to the production and social sectors. In that way, financial institutions have granted new credit lines using their own resources and funds supplied by the state, for industry, agriculture, social housing, SMEs, foreign trade, and infrastructure, among other sectors. They have likewise directed their efforts to raising financial intermediary borrowing limits in order to supply them with more resources; granting guarantees for enterprise bond issues; establishing funds for infrastructure works; renegotiating debts and extending terms; offering preferential loans to specific segments, like small and rural enterprises, and for the acquisition of social housing, and operating with new institutions like fintechs.

3.3. Cross-cutting measures adopted by Development Banks

Development banks have taken two types of measures in keeping with government provisions: cross-cutting on all sectors, and sector-specific. As the crisis has advanced, the latter have been favored, for example, health, services, social housing and agricultural measures.

Noteworthy among these actions are continuous contact with customers that, because of the crisis, are experiencing potential problems in their economic activity – agriculture, tourism, hotels, and trade, among other industries--, the revision and amendment of interest payment modalities; capital extensions and downward adjustment of interest rates; valuing of new operations, with longer terms, lower interest rates, and grace periods; and revision of guarantees and credit histories, to grant working capital lines with more favorable conditions.

These are some of the development bank cross-cutting measures:

- **Allotment of favorable new credit lines** with terms of up to 3 years and as much as one year of grace. In these cases, the loan size is generally based on the size of the payroll and working capital financing needs.

- **Temporary suspension of debt payments on home purchase loans,** together with a reduction in interest rates on mortgage loan lines. By way of example, the Caixa Económica Federal (CEF), Brazil's most important mortgage bank, offers construction companies and developers the possibility of pausing the payment of finance contracts by diluting the difference over the loan life. In Ecuador, the Banco de la Seguridad Social (Biess) launched the restructuring and refinancing of its mortgage loans with up to 18 months of grace and terms of as much as 30 years. The Sociedad Hipotecaria Federal (SHF) implemented a roughly US$363 million program to stabilize loan portfolios for the construction industry, in order to extend outstanding loan terms for the purpose of mitigating the decline in sales. An additional extension of up to 12 months is granted for bridge loans that have not already been extended. For those that have been one or more times, the additional extension is six months. The Banco Hipotecario del Uruguay (BHU), for its part, decided to halve May mortgage payments and promise to purchase agreements in effect for all of its customers.

- **Postponement and deferral of** personal, independent worker and MSME loan payment installment **maturities.** The terms run up to three months and the interest rates are lower than those originally set. In some cases, the state temporarily subsidized the interest. The Banco Nacional de Costa Rica (BNCR) expected to readjust payments on 107,305 loans in the month of March 2020 alone. In Paraguay, the Agencia Financiera de Desarrollo (AFD) planned to renegotiate operating capital and/or investment loans for some 50,000 MSMEs, with loan terms of up to seven years, including two years of grace, by drawing on US$93 million it held for that purpose. The Banco Nacional de Desenvolvimento Econômico e Social (BNDES), for its part, announced the suspension of up to US$6,000 million in capital and interest payments.

- **Credits for the tourism sector.** As one of the most seriously affected sectors, the governments have arranged to use mitigation tools, as a contingency measure, to safeguard tourism jobs. In Paraguay, the Banco Nacional de Fomento (BNF) is in a position to grant each applicant up to 10 times its total monthly payroll in return for a single capital and interest payment at the end of the period, with a 12-month grace period.

Table N°3: Banco de Comercio Exterior de Colombia (Bancóldex), Colombia
In Colombia, due to social occurrences and natural disasters predating the crisis, development banks had already started to design working capital lines with interest rate benefits (compensating balance interest rate) and had raised a considerable amount of funds, meaning that they were largely prepared, as in the case of Bancoldex. The very day the pandemic's arrival in the country was announced, the bank put into place the first support line, targeting the tourism sector and related services. Since then, it has added a further 30 financing lines in partnership with regional governments and municipalities, to ensure that the subsidies finally reach the beneficiaries with a 20-month leverage, a multiplier effect of from 15 to 20 times. During the first 9 months of 2020, it disbursed the equivalent of 110% of the amount allocated in 2019. It encountered several problems along the way, however. In March of 2020 financial markets closed, oil prices dropped, and local currency was devalued, placing the bank's financial standing at serious risk. Fortunately, the financial and capital markets responded very quickly, were resilient and were able to recover, allowing Bancóldex to raise funds. After that initial moment and with a thought to the future, financing lines with better conditions have been implemented for economic recovery.

- Specific loans for the acquisition of **new technologies** to equip personnel for **teleworking.**
- Bond emission guarantees for SME debt security emissions placed on the stock market.
- **Loan guarantees for entrepreneurs** in the tourism, bars and restaurants sector, most with almost zero sales. The financings are to cover working capital needs with maximum terms of up to three years and six months of grace.
- Expansion of credit for micro, small and medium enterprises (MSMEs) through bank and non-bank financial intermediaries.
- **Increase in contract values** without an obligation to provide real guarantees, only personal ones. At the same time, fees and commissions on loan operations are reduced and maximum and differentiated limits are set in accordance with the enterprise or customer's size.
- **Expansion of the capital supply** to cover the everyday needs of enterprises by enlarging the coverage of existing credit lines. The BNDES, in the month of March, announced a total injection of approximately US$11,000 million.
- **Micro and small enterprise loan guarantees** of up to 100% of the credit (in Argentina's case, and between 80 and 98% in that of Peru, depending upon the size of the enterprise). The coverage in Argentina of medium and large enterprises is 25%. Peru, with the largest guarantee program of its history equivalent to 4% of GDP, Reactiva Perú, had provided US$17,000 million in assistance to more than 501,298 enterprises at October of 2020. Enterprises in Costa Rica hold individual guarantees issued by the Fondo Nacional de Desarrollo (Fonade) with a 90% coverage. Peru has also created the SMP Entrepreneurial Support Fund (FAE-MYPE), administered by the Corporación Financiera de Desarrollo (Cofide), with coverage ranging between 90% and 98% of the loan amount. This is applicable to debt refinancing or rescheduling or to new working capital loan applications, for a term of up to 36 months including 6 months of grace. The Fund started operating with some US$88.2 million in capital, which has been since raised to US$265 million. The original intention was to benefit some 50 thousand SME entrepreneurs, but the additional resources tripled the Fund's potential.

Table N°4: Banco de Desenvolvimento do Minas Gerais (BDMG), Brazil
The BDMG's efforts in fighting the crisis are aimed at the recovery of sustainable nature and the bank has a US$1,300 million portfolio for that purpose. It has positioned itself as a financial services platform, offering credit lines, as well as project preparation and technical assistance to enterprises. The bank is the credit supplier for 853 municipalities in the State of Minas Gerais. In 2020, in line with development bank responsibility for countercyclical action, it enlarged its credit offering by over 118% vis-a-vis 2019. It also improved operation guarantee management through use of a new Guarantee Fund and adherence to federal government credit programs. SME coverage in some cases reached 80% of the disbursed value, making it possible to enhance the access of those enterprises to the bank's products. Another important decision taken was to diversify its funding sources, thereby enabling it to make new capitalizations. The terms of the loan contract received from the European Investment Bank (EIB) were relaxed to support production in the region where the BDMG operates. To keep the institution financially healthy, the sectorial risk in Minas Gerais State is continuously monitored to balance the credit offering and administer the loan portfolio. Digital platform use was also extended to give SMEs more expeditious access to credit without bureaucratic interference.

- **Freezing and opening of new state, provincial or municipal government financing lines** to provide them with liquidity. The Banco de Desarrollo del Ecuador (BDE) launched subnational government debt restructuring with a 90-day suspension of loan obligations. Similar measures were implemented in Brazil.

Table N°5: Financiera del Desarrollo (Findeter), Colombia
With the outbreak of COVID-19, 3.8 million workers lost their jobs in Colombia, with the expectation that 2020 would see a 30% drop in income and a 15.8% increase in poverty. Also, that territorial (departments) governments would sustain a 22% loss in collections, with serious implications for investment. The government accordingly raised US$7,530 million (2.7% of GDP) for emergency measures. These resources enabled it to minimize the impact of COVID-19 on poverty levels and other damages by 30%. To make the most of those resources, development banks offer special financing lines to further economic recovery and safeguard employment, drawing on both their own resources and those of the Emergency Fund (Fome) established by the government to subsidize interest rates and create special lines. In the case of the Financiera del Desarrollo (Findeter), the resources amount to US$1,580 million. The "Compromiso Colombia" (Colombia Commitment) program launched during the first phase of the emergency, was designed to provide liquidity to municipal governments and territorial bodies that were beginning to experience dwindling resources. The Multipurpose Land Register Line was also implemented to provide a solution to declining revenue as recovery is gradually achieved, and subsequently to create larger collections. Another line was implemented to subsidize public utility companies because low-income population groups had temporarily stopped paying their water, light and household gas bills.

- **Creation of alternatives for coronavirus mitigation programs.** Some national and international institutions in Brazil and their association, the Brazilian Development Association (ABDE), are working with the federal and state governments to create alternatives for coronavirus mitigation programs, in order to reduce the effects on both public health and the national economy.

  Provision of credit lines with special provisions to help **health sector** enterprises of all sizes. These make working capital and investment resources available for the purchase of raw materials with which to manufacture products in heavy demand –masks, alcohol gel, handkerchiefs--, replenish stock, prepare beds, and hire temporary labor, among other things.

In Chile, Corfo and the Ministry of Science, Technology, Knowledge and Innovation, supported by the Government Laboratory, launched the "Covid-19 Innovation Challenge," a contest designed to speed up the implementation of innovative and/or scientific technology solutions for preventing the contagion of health workers who serve patients suspected of being or effectively infected with COVID-19.

Bancóldex, for its part, is in a position to offer direct loans at compensatory rates to finance projects for that same purpose. Entities wishing to obtain such credits must also certify that they will be used for projects to fight COVID-19.

- **Automatic extension of microloan payments.** Only if the customer is not interested in the extension will it be necessary to inform the Bank. The Banco do Nordeste de Brasil (BNB)'s Crediamigo Program is a case in point. Today, the Bank serves roughly 200,000 microcredit customers and 5,000 microenterprises. In this same segment, the Sociedad Hipotecaria Federal (SHF) allotted US$83 million for home improvement microfinance through non-bank financial intermediaries, with financing proceeds for loans of up to US$1,032 and the guarantee of the Fondo Nacional de Garantías a la Vivienda Popular.

- **Opening of savings accounts** for all persons needing to receive government assistance bonds for families with no income because of their poverty, loss of jobs or lack of cash flow due to the unfavorable situation.

- **Financial support for creative industry professionals,** who are among the most seriously affected by the necessary social distancing policy. Spaces where the creative industries operate have been closed since the onset of the pandemic and those who work in the scenic and audiovisual arts, advertising, literature and heritage areas, among others, have lost their principal source of subsistence.

- **Creation of working groups** and work with sector institutions and directly for entrepreneurs, and public policy coordination to protect enterprises and allow for more rapid resumption of the economic development agenda.

- Credit lines at preferential rates for **the undertakings of population segments** like youth, women, senior citizens, native peoples, peoples of African descent, farmers, migrants and the handicapped, among others. An example can be found in the work of Costa Rica's Instituto Nacional de Fomento Cooperativo (Infocoop).

Table N°6: Financiera Nacional de Desarrollo Agropecuario Rural Forestal Pesquero (FND)

Conscious of the challenges posed by the COVID-19 crisis as of the second half of 2020, the FND undertook to reorient its loan policies in order to turn the institution into a Development Bank that would allow for the financial inclusion of more than 3 million small producers who/which have traditionally been bypassed by federal government and institutional programs.

The financing of agricultural food activities in Mexico is meager and selective. Less than 10 % of the 5.5 million rural economic units hold institutional loans, and those that have received financing are for the most part located in the entrepreneurial strata and in the central and northern regions of the country. This situation calls for linking up the resources, capacities and efforts of the sectors that are involved in this sector. The FND is accordingly coordinating agreements with state federal entities and institutions and the private and social sectors. It signed an agreement with the Mexican Association of Agricultural Development Secretaries (AMSDA) to boost rural economic activities in the country's 32 federative institutions. It is estimated that the financing program will be able to raise 10,000 million pesos (US$494 million) to boost the development of small and medium producers. Negotiations are being conducted in coordination with the Secretariat of Foreign Affairs to channel financings through the Banco de Desarrollo de América del Norte to small producers located on the country's northern border.

In order to mitigate the negative effects of the COVID-19 pandemic, the FND has made changes to target population eligibility guidelines and the activities to be financed, in order to prioritize direct customer service with 13,500 Development Integrator Centers located throughout the country and to take advantage of the Banco del Bienestar's nearly one thousand service windows. A system known as Safe Credit has been designed for small producers, linked to priority federal government social programs and reinforced with the following elements: 1) **Technical coaching:** encompasses training, technical assistance, innovation, technology and health and innocuousness; 2) **Risk mitigators:** catastrophe insurance, coverages, sales contracts and prices and guarantee systems; and 3) **Incentives for payment**, with interest rate reductions for punctuality and grace periods in keeping with project characteristics. Furthermore, in coordination with the Instituto Nacional de los Pueblos Indígenas (INPI), projects are being promulgated to promote native community development in nine of the country's federal states. The end purpose is to boost local development by utilizing the comparative advantages of the microregions and thereby assist the most remote communities.

- **Fostering of platform development and operation** in order to interlink enterprises with markets. In Chile, Corfo and Sercotec, with a thought to supporting the country's entrepreneurs, created the todosxlaspymes.cl web platform as a channel for direct communication between SMEs and their consumers. Todosxlaspymes will showcase and provide a collaborative venue for smaller-sized enterprises to promote themselves and reach all of their potential customers, in the expectation of increasing their sales.

  In Costa Rica, the Ministry of Economy, Industry and Trade has made a series of digital platforms available to SMEs so that they can offer their products for sale. These are: 1) Ciudad PYME (SME City): created to reduce the country's enterprise mortality and unemployment rates (www.ciudadpyme.com); 2) Fygaro: permits any person to sell on the web, in a physical store and even to automate the enterprise's day-to-day operations. It combines billing, accounting, payment buttons and web stores (www.fygaro.com). It also allows for integration with PayPal, Klap and First Atlantic Commerce, to process payments, and with DHL Express and Correos de Costa Rica for the logistics; 3) Costa Rica Fashion Week: platform with a pay runway for national and international designers, where any type of product to be marketed can be registered (https://www.crfashionweek.shop/); 4) Compre PYME (Buy SME): free-of-charge to all entrepreneurs, whether or not they have a website or have a virtual window for offering their products online (https://comprepyme.com/); 5) Catálogo Correos de Costa Rica (Costa Rica Mail Catalogue): without any membership fee, it brings together virtual stores that market their products via Pymexpress de Costa Rica, a logistics support service for all SMEs with their own virtual stores or sales in the social networks (https://comercioelectronico.correos.go.cr/catalogo-pymexpress/); and 6) SMEs without any web page can automatically accede free-of-charge to https://www.kolau.es/costarica, where they will they will be given a website with a PayPal payment table whose income they can then transfer to their bank account.

- **Support for export companies.** In Costa Rica, the government announced the start-up of the "Alivio" (Relief) competition, an initiative with which it will provide some US$53.34 million in non-reimbursable funds to 200 small and medium enterprises with an export potential in the agricultural, food, industrial and services sectors. The support of technical personnel will be facilitated, so that financial and commercial advisors will be able to coach selected enterprises in surmounting the crisis and reinforcing their operations. The non-reimbursable funds may be used to purchase production supplies, rent machinery and pay partial wages; but they may not be used to pay managerial or legal representatives' salaries, pay off debts, purchase vehicles and rent real estate. The aim is to assist only enterprises that are best equipped to survive, despite their problems. In Peru, the transfer of some US$294 million was authorized to the Fondo Crecer (Grow Fund) under Cofide management, which provides coverage for fixed or working capital loans to MSMEs and export companies.

Table N°7: Banco de Inversión y Comercio Exterior (BICE), Argentina
The BICE aligned its activities to conform with national government public policies and, as a result, in the first half of 2020 devoted its efforts to helping SMEs. In the first place, it kept in virtual contact with customers assisted by provincial governments, in order to be able to offer the bank's new and existing products (working capital credit lines), with loans at rates far below required national government minimums. It also created a working line with the guarantee of all of the provincial guarantee funds, as a way of acceding to the regional economies. Subsequently, with the gradual resumption of economic activities, the bank focused its efforts on the medium and long terms. The number of allocations doubled and the challenge was to turn working capital loans into investment and export credits, and two credit lines were launched for this purpose. The first was a credit line for investment in production with a term of up to 7 years and 2 of grace and an interest rate subsidized by the Ministry of Production Development. The second credit line was dedicated to exports and also involved ministry subsidies that reduced interest rates by up to one-third and exporters that had not operated over the past three years received bonuses.

- **Financial intermediary funding.** In Mexico, Nafin and Bancomext manage an approximately US$ 2 523 million program through financial intermediaries to support enterprise liquidity. This program makes it possible to lengthen borrower loan terms or grace periods. New loans are considered for working capital, as well as for stock market guarantees and to improve borrowers' liquidity situations. It guarantees in full or in part the payment of capital or interest on the emission of commercial paper, stock market certificates or any other instrument used on the national or foreign stock exchange. The stock market guarantee makes it possible to improve stock market issue ratings assigned by stock market raters to emissions used to finance equipment operations, technological development projects, infrastructure creation and development, environmental improvement, liability restructuring and asset securitization (accounts collectible, promissory notes, remittances, mortgages, etc.).

- **Coronavirus Fund.** In Uruguay, the Banco República committed to contribute US$150 million to the COVID-19 Solidarity Fund created for that purpose, as part of the contribution of the bank's 2019 profit.

Table N°8: Fideicomisos instituidos en Relación con la Agricultura (FIRA) – Banco de México
Financial markets in Mexico have shown signs of reduced liquidity and agricultural producers and agribusiness are experiencing debt burden payment pressures. Faced by this scenario, the FIRA took countercyclical action. Using a second-floor or wholesale banking approach, its focused its efforts in two directions, first, by serving agricultural borrowers to help reduce their debt burden and provide them with additional credit with which to resume their activities. And at a second moment, watching to ensure that an adequate flow of alternative resources was available to offset the illiquidity noted in the loan and interbank markets. In this connection, it launched a loan and guarantee support program for institutions that finance agricultural activities, facilitating debt restructuring on longer terms and with lower interest rates. A program was also implemented to grant additional credit to enable rural producers to relaunch their activities and some 15,000 million pesos (US$700 million) were allocated for debt restructuring and 5,000 million pesos (some US$235 million) for additional credit, which represents more or less 10% of the institution's portfolio. The second, countercyclical, line of action was **in benefit of the network of financial intermediaries (IFI),** particularly for medium and small banks and non-bank IFIs with insufficient

liquidity. Discount lines were facilitated for them in order to offset the dearth in funding at that moment and enable them to continue with their financing activities.

- **Fintechs as new channels for intermediating funds to MSMEs.** With the authorization of the National Monetary Council, the Banco Nacional de Desarrollo Social (BNDES) started to transfer funds through financial technology services companies. The fintechs register with the BNDES online credit application platform and start operating with the Bank's resources, heating up competition in that market and facilitating the money's arrival where needed. According to the BNDES, among the benefits of this initiative are: financial inclusion of enterprises hard put to obtain credit, bank deconcentration, increased financial sector competitiveness, innovation, entrepreneurial empowerment and more efficient financial resource distribution.

In short, these are just some of the actions taken by Development Banks and, as is to be expected, they will continue to monitor the evolution of economic and social events day-by-day in order to take the measures that may be necessary, appropriate and effective to address the crisis, centering their efforts on the well-being of urban and rural enterprises and of Latin American society as their ultimate aim.

3.4. How are development banks being financed to meet the demand for greater resources?

Confronted by a greater demand for credit, development banks are turning to different funding sources, among them:

- **Emergency programs:** public resources from government programs have been channeled.

- **Regional and multilateral organizations:** In Latin America and the Caribbean, cooperation with institutions like the CAF-Development Bank of Latin America, Fonplata-Development Bank, the Caribbean Development Bank, the Central American Bank for Economic Integration (CABEI), the Latin American Export Bank (Bladex) and the Inter-American Development Bank (IDB) is extremely important for channeling resources into enterprise financing in situations like the present one.

- **Relaxation and gradual adjustment of Basle III implementation,** given its procyclical effect, in order to limit its negative impact on the delivery of short- and medium-term liquidity.

- Relations with national and international **suppliers of funds,** to permit the deferral of debt payments, as well an immediate raising of the limits on existing credit lines, thereby making it possible to augment resources already available to finance and channel to bank borrowers.

- **Emission and fund-raising from international commercial banks and extra-regional development banks.** The Banco de Desarrollo de Minas Gerais (BDMG), for example, signed a contract with the French Development Agency (AFD) in early August for the provision of €70 million starting that month and over a maximum period of 12 years. The funds were to be used for bank credit lines for enterprises of all sizes and municipalities. The Banco Regional de Desarrollo del Extremo Sur (BRDE) launched the second stage of international fund-raising from the French Development Agency, which has already allowed for €70 million in sustainable investments to be made in the three Southern Region states. The Fideicomisos Instituidos en Relación con la Agricultura (FIRA) placed a 10,000 million peso (some US$448.5 million) long-term debt in the form of stock market trust certificates, to be able to channel loans to small rural enterprises. The Banco de Comercio Exterior de Colombia (Bancoldex) received a US$400 million loan from three commercial banks —Banco Santander, the BBVA and JP Morgan— with a World Bank guarantee issued through the Multilateral Investment Guarantee Agency (MIGA).

- **Capital contribution** to development banks in order to increase their lending capacity. By way of example, the BancoEstado de Chile received a US$500 million national government capitalization.

3.5. Regional and Multilateral Banks Supporting Latin America and the Caribbean

The regional Development Banking system and the World Bank Group have played a key role in providing liquidity for confronting the pandemic. The regional and subregional development banks (CABEI, CAF, CARIBANK, Fonplata and the IDB) and the World Bank Group (IBRD, IDA) disbursed a total of US$28,160 million in 2020, 23.7 % more than in 2019. A sizeable portion of these resources were channeled through national development banks.

CABEI, CAF, CARIBANK, Fonplata and the IDB together allocated US$20,000 million exclusively to fight the pandemic. They have also striven to build up their equity to place them in a position to meet the larger needs for funds. CABEI raised its authorized capital by 40% (US$2,000 million) in April of 2020. The IDB is studying whether to increase its capital, in order to be able to raise its annual loans from US$12,000 to almost US$20,000 million. Development Banks may reinforce this role by raising their capitalization levels and adopting more flexible lending criteria for their regulation and granting of loans. Another important element that has been worked on, but that needs a stronger boost, is cooperation and coordination among regional, subregional and national development banks.[11]

Table N°1: World Bank Group and Regional Organization Disbursements for Latin America and the Caribbean (Millions of US$)

Financial Organizations	2019	2020	% of Variation
World Bank Group (IBRD, IDA)	5 187	6 265	20.8
Caribbean Development Bank (CDB)	304.9	357.4	17.2
Central American Bank for Economic Integration (CABEI)	1 934	2 539	31.3
Inter-American Development Bank (IDB)	10 574	14 846	40.4
CAF-Development Bank of Latin America	10 043	10 383	3.4
FONPLATA – Development Bank	221	392	77.4
Total (WB Group / regional organizations)	**22 772**	**28 160**	**23.7**

Source: 2020 Annual Reports of financial organizations.

As a financial response to the pandemic, the Inter-American Development Bank (IDB) in 2020 approved projects for a total value of US$13.7 billion, of which US$6.4 billion (46.7%) were

[11] Alicia Bárcena, Executive Secretary, the Economic Commission for Latin America and the Caribbean (Eclac). At the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts the COVID-19 Pandemic," held on April 6 and 8, 2021.

allocated exclusively to provide an immediate response to COVID-19. It granted 14% to assist the countries in offering an immediate public health response, 34% to the production sector and employment, 32% to vulnerable population groups and 20% for public policy and fiscal management.[12]

The Caribbean Development Bank (CDB) implemented measures in two areas: 1) Immediate emergency response: Reallocation of resources for social security network activities; support for mental health services with a gender-specific approach; reinforcement of online learning; financial assistance for MSMEs; budgetary support to eight borrower member countries; and 2) Recovery measures: Socially inclusive and gender sensitive protection framework; effective, inclusive and resilient post-pandemic educational programs; and sustainable local food production measures and search for supply chains for agriculture.

Faced by the crisis, the Central American Bank for Economic Integration (CABEI) carried out an anti-COVID-19 support program with 8 components. This more than US$3,000 million program was approved on March 31, 2020, with the following elements: 1) Emergency aid with non-reimbursable funds; 2) Procurement and regional supply of medicines and medical equipment for early COVID-19 detection; 3) Sovereign and non-sovereign public sector operations, among them emergency development or loan policies; 4) Support credit for central bank liquidity management; 5) Financial sector support focusing primarily on the MSME sector; 6) Specific assistance for prevention and contingency campaigns in areas of the region; 7) Credit facility for vaccine acquisition and application; and 8) US$250 million youth employment and entrepreneurship program.

The International Monetary Fund (IMF), for its part, approved an estimated US$107,531 million worth of emergency programs and financings up until the end of March 2021. A total of 63% (US$68,286 million) were granted to 21 Latin American and Caribbean countries. The Flexible Credit Line is the foremost instrument in use, by type of financial instrument involved, and aims to back macroprudential economic management, with Latin America and the Caribbean alone having received a total of US$51,866 million.[13]

3.6. Digital means and development banks during the COVID-19 crisis

The boom in new technologies, surge in disruptive competitors and growing expectations of financial customers prior to the pandemic motivated a large percentage of the banks to reformulate and develop their commercial and operational models to differing degrees. Those that invested in digital platforms and data analysis, using suitable tools and with appropriate partners, are now well-positioned to stand out and increase their importance in this new reality.

Given the reduction in their business hours and the temporary shuttering of some of their agencies as a result of the quarantine in most of the region's countries, the banks are experiencing an increase in customer consultations and this trend is likely to continue. More than 86% of the development banks in a sample of 60 banks took these measures. The **Banco**

[12] Juan Ketterer, Chief, Connectivity, Markets and Finance Division, Inter-American Development Bank (IDB). At the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts the COVID-19 Pandemic," held on April 6 and 8, 2021.

[13] Jorge Roldós, Assistant Director, the Western Hemisphere Department, International Monetary Fund (IMF). At the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts the COVID-19 Pandemic," held on April 6 and 8, 2021.

do Brasil, for example, has attracted over 1.5 million new users with its BB App since March[14] and interactions by means of Whatsapp shot up 400%. The banks are taking action to deploy and scale up their labor force safely and effectively. In a matter of days, traditional bank-customer relationship models were redesigned to put a stop to contagion, inasmuch as some customers still depend largely on personal service and paper-based processes, as they struggle to keep ahead of their customer expectations and the new regulations. This situation is serving to reveal the power of digital banking and the need to increase alliances with the fintechs.

In the midst of the crisis, banks had to act rapidly to digitalize and automate processes, burdened by traditional customer-bank relationship methods –which needed rethinking— and services provided in branch offices that many enterprises value. Furthermore, in order to keep the pandemic from blocking their capacity to acquire new customers and place new products, some banks are deciding to move ahead rapidly toward electronic incorporation of customers, online document remittance and use of digital identification tools. The need that drives enterprises and families to use digital methods today is expected to improve their willingness to continue interacting with the banks in that way, even when COVID-19 is brought under control. Banks that decide to join a digital ecosystem of platforms and digital suppliers and that invest in digitalizing their services will be able to rapidly deploy new or complementary offerings and interact with their customers more safely.

The **Banco Provincia de Buenos Aires (Bapro),** for example, announced the incorporation of the electronic check, or "eCheq," in the array of financial products it offers, thereby facilitating SME finance. But the situation is also enabling both customers and banks to learn more about digital channels. The Bank implemented its discounting with a system of differential rates in August of 2020. Since then, more than 3,100 SMEs discounted 77,000 eCheqs for a value of $3,000 million. This figure represents more than 30% of all RePyme Support Program loans. Today the amount and volume of electronic checks surpass those of traditional checks.

It also made it possible for Bapro to complete development of the **DNI ACCOUNT, its digital wallet,** that was not being given the fullest possible use. As of the restrictions imposed by the pandemic, the Bank decided to incorporate new services and promote their use as a remote bankability tool, which enabled hundreds of thousands of customers to open an account from their homes and remove funds via automated teller machine without any need for a debit card. Those possibilities made it an excellent alternative for roughly 500,000 beneficiaries of the Emergency Family Income (IFE) that have no bank accounts, who were able to collect their allocations via a DNI ACCOUNT. Since its launch on April 8, more than 1.6 million people have opened savings accounts with the Banco Provincia's "DNI Account" App, a figure larger than all new accounts opened in the country between January 2017 and March 2018. Some 550,000 people decided to use the digital wallet, which also permits them to buy in stores, instantly send and receive money, and add funds to their mobile phone accounts and transportation cards. At April of this year, the system had more than 3.07 million users, whose 36 million transactions amounted to some US$1,500 million.

A Bapro survey of its Province Internet Banking (BID) use during the post-pandemic period revealed the rise in average monthly digital operations from 3.8 to 5.1 million from one year to the next. All told, BIP has 2.3 million registered users, among individuals and enterprises, 28% more than the 1.8 million figure of 12 months earlier. The addition of new users rose 225% over this 5-month period of 2020. Average pre-pandemic monthly BIP registration figures of 47 thousand new users jumped to 106 thousand new additions per month.

[14] Figure calculated from March 16, 2020 to the end of April of that same year. With that addition, BB now has 15.6 million customers using this channel.

The **Banco de la Provincia de Córdoba (Bancor)** launched the "Withdrawal order" (ODE) system enabling those with accounts to withdraw their cash through the network of biometric teller machines (400) in that province without any need for a debit card. The system will also make third parties eligible do the same with their own accounts. In that way, anyone will be able to make payments at a distance without having to deposit the sum in another bank account (Infonegocios, 2020).

The **Banco de Desenvolvimento de Minas Gerais (BDMG),** for its part, was one of Brazil's pioneering institutions in establishing a digital platform (BDMG Web) for making SME loans eight years ago. In order for the bank to operate in that market, especially without physical branch offices, it needed to be accessible via Internet. As a result, it launched BDMG Digital, a lending and customer relations platform that will also include the launching of an app for mobile phones. With the success of this initiative, the bank moved ahead in digitalizing medium and large enterprise loan granting processes. One of the lines that can be operated through this platform is the National Micro and Small Enterprise Support Program (Pronampe), which aims to help small businesses confront pandemic-driven crises via special market conditions: 1.25% annual interest plus the Selic rate (basic reference interest rate that on September 2 stood at 2.12%) and a 36-month term with an 8-month grace period. BDMG Digital disbursed more than US$43 million to SMEs in 2019, up 10.5% on the previous year's figure, with platform accesses numbering 600 thousand, or 54% greater.

The Bank has already provided some US$50 million in city government financing since the beginning of the year, with the problems imposed by the pandemic on municipal administrations, through the Public Municipality Announcement. This figure, according to the BDMG, is 37% larger than initially forecast for 2020. The consideration of other credit lines, as well, would bring the total up to more than US$56 million. Furthermore, in April, it launched low-interest credit lines to assist MSMEs during the pandemic. Since that date, some US$33 million in loans have been granted, or 91% of those allocated over the same period of 2019. These resource channeling levels, far above those of past years, have been possible thanks to the additional advantages of the BDMG digital platform (www.bdmg.mg.gov.br), which grants online loans to micro and small enterprises and to municipal governments. From now on, it will not be necessary to visit a bank in order to prepare projects and documents for bidding competitions. Project monitoring (measurement) and any further steps can also be taken up until June completely through the Internet, making it a fully online process.

The experience of the **Banco do Nordeste (BNB**) in Brazil is also noteworthy, inasmuch as its approach to digital transformation has been based on digital information capture and the provision of multiple service channels (omnichannel), with investment resting on three pillars: restructuring of internal processes, employee cultural transformation and customer participation in the new service channels. Bank customer use of digital channels today already predominates in transactions, accounting for 52.5% of the total. Processes were redefined and changes effected for each digital service or product developed by the Bank, and employees were given training to make them open to innovation and the large volume of changes involved.

Agile methodologies were employed for project creation and implementation. Considering that what its customers want is continuous and rapid change, the Bank serves a wide variety of clients: MSMEs, large enterprises, subnational governments, large and small rural producers and individuals. Each customer segment calls for an appropriate relationship and the digital services are constructed heeding the expectations of each target segment. As a result, the digital solutions delivered were varied, as were the digital registration of persons and enterprises, the opening of digital accounts, applications (BNB, BNB Cartoes, BNB Agro and BNB Geo), cardless withdrawals, digital working capital allocation, BNB card, payment via bar codes, and online allocation of personal loans, among other things. The most recent product is the Digital Office, which offers virtual customer service, where communication is via telephone, WhatsApp and chats. This product is expected to serve nearly 170 thousand SMEs in Brazil's Northeast, in addition to 500 thousand persons who are customers.

In 2020 alone, the program signed contracts for some US$568 million in new operations. Given Crediamigo's high bubble-up effect in the bank's area of activity --the region's nine states and northern Minas Gerais and Espírito Santo,-- BNB offers customers remote (application of Crediamigo, available for Android telephones) and alternative channels (24-Hour Bank, and Withdraw Pay, among others), to avoid having to make trips to agencies or lottery selling premises.

Another institution is the **Banco Nacional de Desenvolvimento Economico e Social (BNDES)** which, as part of its entrepreneurial digitalization project, completed a three-year implementation plan for digitalization technology initiatives. This project focuses on improving customer experience and facilitating access to financing solutions. In recent years, the Bank has started up several initiatives, like MSME Channel, Customer Portal, BNDES online, BNDES Garagem. MSME Channel is a digital platform that interactively links up MSMEs with more transparent and swifter- acting finance and service solutions. An algorithm is used that optimizes credit supply and demand matching; it indicates up to three financial agents that are best suited to each loan applicant's profile. At September 2019, the platform had signed contracts for over US$180 million, approved more than 3,000 applications and linked up with three fintechs.

The **Caixa Econômica Federal,** for its part, is carrying out a plan to create 45 million digital accounts to reduce lines at branch offices for Brazilians receiving anti-pandemic emergency assistance.

The **BNDES** Online platform, launched in 2017, interconnects the bank's automated system and the financial agents. Financing requests can be sent through it, providing gains in transaction efficiency, speed and security. In 2018, more than 109,000 operations were registered for a sum in excess of US$2,200 million. Launched in 2018, The Customer Portal was designed to bring together the various customer accessible systems, producing gains in information organization and avoiding duplication of work and operating risks.

In 2019**,** the **Banco Regional de Extremo Sul (BRDE), of Brazil** undertook to digitalize most of its processes, reduce red tape, and accelerate the processing of applications submitted to the bank. It has made a series of improvements in Internet banking, an online system that enables bank customers to monitor all applications and also allows for new applicants to send in documents and certificates by digital means. The project was expected to be 100% complete in 2021, but because of the situation produced by the new coronavirus, its conclusion was hastened. Had that not occurred, more problems would have arisen in providing rapid responses and resolutions to applicants who saw BRDE as an alternative amid the crisis.

Also foremost among the institutions that are well-positioned is the **Banco del Estado de Chile,** which in 2016 started a growing migration from the provision of services via human channels to that via digital channels. It went so far as to create Innovation and Digital Transformation managements in a clear sign of the importance assumed by digital disruption. The aim of these new management offices was to transform the institution from its processes to its channels. In doing so, digital customer assistance solutions emerged like the BancoEstado App for personal banking; Factoring on line, which contributes speed and facility to service in real time; ComprAqui, the new mobile POS payment system in use over 95% of Chile; and RUT Account, a financial product that has made it possible to incorporate a large number of Chileans into the financial system. Over the past year, over 7 million customers made use of some of its digital channels, through either the web or the App. Specifically speaking, more than 4.6 million customers have used the App and 3.5 million on average use the App every month. [15]

The **Banco Agrario de Colombia** launched the MoviCuenta application that allows for simplified account opening, thereby enabling rural and urban dwellers to go about the digital opening of their accounts on their own, thus avoiding bureaucratic paperwork. From its start-up last April 13 until the end of May, it had accumulated 134,226 users, most belonging to the Youth in Action program.

The **Banco Nacional de Costa Rica** in 2001 pioneered Internet Banking with BN and since 2014 has been operating Mobile Banking. Mobile application and Sinpe Móvil growth figures at the close of 2019 are revealing. The BN My Bank application is enhancing customer loyalty and showed growth of 16% in transactions, 24% in affiliations and 14% in active channel users. Sinpe Móvil (which turns your telephone into a digital wallet) showed 57% growth in all types of transactions, 40% in affiliations and 62% in active users of the channel. BN Services (bank correspondents), with 580 new operators registered, has carried immediate banking services to the entire country of Costa Rica. This year, because of the consequences of the pandemic, monthly digital transactions rose 120%, from 671,471 in January to 1,479,719 in June, according to the bank.

The **Caja de Ahorros de Panamá**, which has over one million customers, implemented a digital transformation strategy in 2020, focusing on the development of technological projects that made the bank's services available to all Panamanians. More than 17 million transactions were carried out over the main service channels, for a value of B/.1,125 million. The digital platforms occupied the second and third positions as to population use. By means of Mobile Banking, some 5.9 million transactions were conducted totaling B/.81 million, representing 226% growth with respect to 2019. The Caja Online, for its part, produced 2.9 million in transactions for a value of B/.344.1.

In 2020, Caja de Ahorros adopted the use of mobile applications for personalized service to its customers, where it presented its National Automatic Answering Assistant (A.N.D.R.E.A.), a modern technological system that carries customer service up to the next level and positions the Caja as a competitive bank and leader in the local market. Using this platform, the bank pioneered the creation of a virtual assistant with its own identity, which, since its launch, has served 61,215 customers. The institution also made available to its customers its digital service channel for branch offices via Fluyapp, which creates the customer's virtual course up to the moment of service by its executives. It has received 866 customers since it was put into play.

To conclude, the **Banco de la República Oriental del Uruguay (BROU)**, together with Antel, facilitated the delivery of emergency food baskets through the Tuapp application. Under development at the time, it had to be put into practice in record time to facilitate the delivery of basket bonds to over 110,000 beneficiaries, who exchanged the cash credited in their electronic wallets for basic products in the more than 1,900 eligible stores located throughout the country.

[15] Digital Bank Latam (2019). Digital Trends: The revolution of BancoEstado means of payment. Digital Bank Latam Magazine, November. pp. 9-13. http://www.digitalbankla.com/wp-content/uploads/2019/11/Revista-Digital-Trends022019.pdf.

IV. LATIN AMERICAN AND CARIBBEAN AND NATIONAL DEVELOPMENT BANK CHALLENGES

Development finance institutions, as public finance policy instruments, operate in line with government provisions, helping countries to mitigate the crisis by making resources available to the production and social sector, and especially to SMEs that have sustained heavy drops in income and major problems in remaining afloat and in fulfilling their wage and financial obligations. As a result, the region's challenges and opportunities are those of the development banks, in the degree to which they must coach the governments in their policy implementation from the outlook of enterprise, subnational government and household finance.

The Latin American and Caribbean public and national development banks disburse between US$270 and US$300 thousand million per year. They are key players insofar as the provisioning of direct pandemic finance is concerned, inasmuch as, according to Eclac, they have allocated the equivalent of US$93,000 million in direct financing. Faced by the pandemic, these institutions have broadened and will continue to reinforce their support instruments and increase their credit. The assistance provided by national development banks to confront the effects of COVID-19 have been, by instrument: 1) US$55,811 million for loans; 2) US$25,227 million for payment suspension; 3) US$10,089 million for guarantees, this being the most dynamic instrument for reactivating SME loans; 4) US$1,650 million for refinancings; and lastly 5) US$217 million for non-reimbursable financings[16]

Economic recovery has thus far been underpinned by a favorable external context: growth of trading partners, raw material prices, and financing conditions. While exports declined in the second quarter of 2020, the last quarter saw strong recovery. Even so, employment has not yet reached the level necessary for the recovery of production. Although this activity is 3% below pre-pandemic levels, employment is below 5%. The outlook for Latin America and the Caribbean is tied with the evolution of the pandemic. Cases in the region are at their peak level and the vaccination process is slow.

We are astounded by the inequality in the greater access to vaccines by a few countries that possess the necessary resources, and their greater influence and political weight on the international scene. This is occurring precisely at the moment in which Latin America and the Caribbean are experiencing one of the most complicated stages of the pandemic because their governments are a little more reluctant to impose strict quarantines due to their negative economic consequences, and to the fiscal straits and larger government and corporate debts that limit the possibilities for moving ahead with economic recovery.

The year 2021 opened with lights and shadows. On the one hand, we have hopes that vaccines will soon be available to deal with the COVID-19 pandemic; and the start of international economic recovery, particularly of the world's largest economies –the U.S. and China,--, to which the Latin American and Caribbean countries are closely linked. Together with these developments, we have favorable terms of trade due to the high prices of the region's foremost export products[17]; the continuity of low interest rates for acceding to international financing in

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[16] Alicia Bárcena, Executive Secretary, the Economic Commission for Latin America and the Caribbean (Eclac). Presentation at the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts the COVID-19 Pandemic," held on April 6 and 8, 2021.

[17] "Except for gold, which barely rose 7.7% over the past 12 months, the rest of the raw materials have shown continuous significant growth. Wheat climbed 46% over the past year, followed by soy beans which almost doubled in one year's time, for a 98% gain. Among the strongest growing products are petroleum and corn, with growth of 151% and 137%, respectively.

more favorable conditions[18]; the approval, in the first half of March, of a US$ 1.9 billion stimulus package by the United States Congress to speed up economic recovery, which will undoubtedly have a positive impact on the demand for our region's export products.

On the other hand, some of the risks that have been identified, especially in the short term, are: 1) Resurgence of new COVID-19 cases tied in with low vaccination rates; 2) Deepening of the economic recession or slow recovery; 3) Delay in the restarting of labor-intensive service activities, such as tourism, hotels and restaurants, and entertainment; 4) Reduction of the debt rating, increase in the country risk and default risks; 5) High public and private sector debt levels; 6) Increase in debt default and greater exposure of the financial system due to the normal application of bank regulations; 7) Delay in private investment stemming from uncertainly (aversion to risk); 8) Reduction of public investment (due to debt interest payments) and, as a result, widening of the production and social infrastructure gap; 9) Social and political instability due to the social demands of important sectors affected by unemployment; 10) Greater poverty and more difficulty in reducing it, accompanied by a cut in government household and enterprise aid programs; 11) Post-COVID-19 increase in citizen insecurity; and 12) Decreased availability of funds from multilateral organizations stemming from high global demands. All of the region's countries share these risks, to a varying degree.

By Julian Yosovitch, in Fnanzas y Mercado, May 12, 2021. https://www.cronista.com/finanzas-mercados/sube-la-inflacion-en-eeuu-como-le-pega-a-la-economia-argentina-y-a-los-activos-locales/.

[18] A figure to bear in mind is that United States inflation reached a monthly record of 0.8% in April, giving a total of 4.2% for the year. This is a level not seen since June 2009, while the inter-annual level is the highest since the 5.6% annual rate of July 2008.

Table N°2: Nominal Price Indexes (Real and Forecast) and revised forecasts

	Price indexes (2010=100)					Quarterly % of variation		Annual variation (%)		Revision[2]	
	2018	2019	2020	2021f[2]	2022f[2]	2020Q4	2021Q1	2021f[2]	2022f[2]	2021f[2]	2022f[2]
Energy	87	76	52	71	75	8.3	35.3	36.1	6.1	26.8	-5.9
Non-energy products[3]	85	82	84	100	97	9.3	11.8	19	-3.5	17.3	-5
Agriculture	87	83	87	99	100	8.7	9.3	13.5	1	12.1	-0.5
Beverages	79	76	80	81	83	-2.5	1.9	1.4	1.6	0.3	0.5
Food products	90	87	92	108	109	11.9	12.3	17.1	0.9	15.6	-0.6
Oils and flours	85	87	90	116	117	22.4	12.9	29	0.9	27.2	-0.9
Cereals	89	89	93	106	107	107	17.2	13.8	0.9	12.3	-0.6
Other food products	99	98	95	100	101	-0.1	6.8	5.2	0.9	4.2	-0.1
Raw materials	81	78	78	85	86	6	4.2	9.8	0.9	8.1	-0.8
Fertilizers	83	81	73	93	88	4.4	23.5	27.1	-5	23.9	-8.2
Metals and minerals	83	78	79	103	91	11.2	16	30.4	-12.1	28.3	-13.4
Precious metals[3]	97	105	134	134	125	-1.6	-1.9	0.1	-6.8	3.8	-4.9
Memorandum accounts											
Crude oil (USD/barrel)	68	61	41	56	60	3.8	35.9	35.7	7.1	28.4	-6.5
Gold (USD/oz)	1,269	1,392	1,770	1,700	1,600	-2	-4.1	-4	-5.9	-2	-3.5

Source: World Bank

Notes: 1) "f" stands for forecasts; 2) Forecasts have been revised on the basis of the October 2020 report (stated as a variation in the index value, except in the case of USD/oz of gold); 3) Price indexes of non-energy basic products do not include precious metals.

Strengthening production and social infrastructure is of vital importance for adapting to climate change, inasmuch as it is a strategic area that is being destroyed by the crisis and that much that had been gained is being lost. This new infrastructure should be climate-resilient, thereby ensuring that it will be developed and designed for future used, thereby reducing the high costs of increasingly recurrent and severe natural disasters.

Needless to say, reinforcing digital access in both infrastructure and services is strategic, as it has been found that one of the ways to create economic resilience is through digital access, governance, education and trade. All of these aspects require investment in infrastructure.

Furthermore, among the region's foremost challenges to building competitive and resilient economies for strong and inclusive growth are the following: 1) transiting from short-term finance to providing emergency liquidity and channeling long-term resources to boost sustained investment; 2) incentivizing employment-creating activities at times when their growth lags far behind production[19]; 3) negotiating the raising of public and private debt levels, which could have consequences deriving from inflationary pressures transmitted to the interest rate and a direct impact on the credit supply; 4) Low economic digitalization levels demand more connectivity infrastructure to enable the digital economy to operate efficiently in all of the region's countries, making education competitive and creating digital citizens; 5) Investing in climate change is needed; 6) Improving governance is important for making governments feel comfortable with development; 6) Improving productive and social infrastructure to become more efficient; and 7) Exploiting the countries' regional potential for creating a platform that will provide access to all global markets.

[19] In Colombia, the country's President, on May 17th, announced the establishment of a program for creating youth employment that would become operational on July 1st and would consist of a support plan for unemployed young people between the ages of 18 and 28. The program would subsidize 25% of their pay.

Inasmuch as MSMEs constitute 99.5% of the region's enterprises and generate roughly 60 % of formal productive employment, they must be given special priority by governments and in public policy measures that should be taken, particularly in the current crisis created by COVID-19, which places the very survival of a large number of SMEs in jeopardy.

Along this same line, attention must be given to the economic and social empowerment of women, who, in relative terms, have been the population group hardest hit by the loss of jobs during the crisis. Female labor-intensive economic occupations and activities suffered the effects of the crisis most severely, with the result that the pandemic had a disproportionate effect on women's employment. Colombia, for example, suffered a 19.6% inter-annual drop in female employment between the July-to-September quarter of 2020 and the same quarter of 2019, representing the destruction of 1.8 million jobs, compared with an 8.1% decline in male employment, which is equivalent to an absolute loss of one million jobs. At the same time, women accounted for 71.2% of the 1.9 million persons increase in the inactive population.[20]

Other challenges are to attract new investments for relocating/regionalizing enterprises in international value chains; boosting regional trade and reinforcing value chains; strengthening technological innovation and transformation, and transferring knowledge from developed economies; strengthening the health system for the future, and advancing agricultural and rural development, revalued during the pandemic as a national strategic sector at times when trade flows were interrupted.

The following challenges appear to be the most significant, from the outlook of multilateral and regional financial organizations: 1) Boosting recovery of the production system, especially of the SMEs, with digitalization as the basic task; 2) Supporting entrepreneurial integration into value chains by means of their reconfiguration; 3) Developing national commercial debt restructuring mechanisms using capitalization programs; 4) Channeling public and private investment to climate projects: blending; 5) Promoting formalization and financial inclusion with the support of digital technology; 6) Strengthening connectivity and economic digitalization by means of public investment in connectivity infrastructure; and 7) Efficient investment in sustainable infrastructure: PPPs[21].

V. FINAL CONSIDERATIONS

- While the policy measures differed, the instruments used have been similar. By frequency of use during the initial phases of the COVID-19 crisis, loan guarantees, tax payment deferrals and wage subsidies were the entrepreneurial support measures most used. In the case of the guarantees, the most common measures were greater fund support for existing systems, creation of new systems for SMEs that had lost access to financing, simplification and fast track procedures, and raising of the coverage ratio and of the loan ceiling.

- As for support for SMEs, the policies devised to address the crisis also varied, even more so considering that these enterprises have been exposed at the heart of the COVID-19 pandemic, and are: 1) Information and health measures; 2) Payment deferrals and

[20] Jairo Guillermo Isaza Castro (2021) "The impact of COVID-19 on Colombian female workers." ILO Office for the Andean Countries, Colombia, March 2021. https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-lima/documents/publication/wcms_774770.pdf.

[21] Report on the results of the Second Meeting of Chief Economists of Latin American and Caribbean Development Banks "Challenges to the Development Banks in Boosting the Region's Economic Recovery and Momentum as it Confronts the COVID-19 Pandemic," held on April 6 and 8, 2021. https://www.alide.org.pe/wp-content/uploads/2021/05/Encuentro-economistas-2021-sintesis-y-conclusiones-DT-1.pdf.

(temporary) discharges; 3) Improvement of SME credit access (for example, loans, guarantees); 4) Grants and wage subsidies; 5) Structural policies (for example, hastening of digitalization; internationalization, etc.). What was noticeable in this process was a gradual shift away from crisis management and rescue policies toward the use of structural policies to promote entrepreneurial vigor, competitiveness and resiliency in the long term.

- LAC public and development banks turned their efforts to adopting measures for mitigating the negative effects of the pandemic. As a result, new credit lines were granted to enterprises in all sectors. In 2020, the loan portfolios of the various LAC public banks showed growth in almost all countries, in many cases surpassing unforeseen loan or disbursement target figures, at the same time as resources were redirected toward the production sector. Furthermore, unlike the case in past crises, on this occasion the private financial system also acted as a mitigating element, and not an amplifier of the impact of the current crisis, a performance that was due, among other things, to important government emergency programs.

- The evidence reveals a rapid and timely response by the financial system and public banks during the pandemic to the emergency in 2020; that the latter in many cases responded more forcefully, stressing their countercyclical performance as compared with the national economy; that important use was made of funds raised by the banks, in line with the needs identified by the governments; that important room remains for fund-raising to promote investment in sectors that would invigorate and revive the economy; and that therein lies its significant role in the countries' economic reactivation.

- Private banks normally devote their efforts to the short term, while national development banks focus on the long term, with financing for investment and restructuring. Their active involvement in value chain coordination is key for SME insertion. They have also promoted virtual fairs that have been highly successful in some countries, permitting high levels of company sales and important loans. Another important topic for development banks are electronic transfers for persons adversely affected who received or were beginning to receive government aid, for they provide a sifting and traceability of those transfers, and support for vulnerable sectors like women, and reach sectors and territories where private banks do not operate.

- This is a moment when all financial institutions are needed to do more than their best, to review and revise their responses, their modes of action and their operation. At the same time, they must fulfill their cyclical role and that of support for long-term development. Development banks are useful, and in each project determine the scale of the sustainable development goals (SDGs). The special role and usefulness of national and regional development banks is important for the transformation, for reaching persons, groups and each particular place, because that is where the development banks are rooted and best positioned to fulfill this role, to take the leadership in sustainable recovery and to attract the funds needed from the financial sector. The public banks, in turn, have learned how to adapt themselves and adjust their working methods and maintain their usefulness to the people for which they were created.

- The immediate objective, in addition to continuing their efforts, is to provide families with liquidity, carrying the resources allocated by the government with the social aid programs, to the entrepreneurial sector and, above all, to those whose positioning makes them most vulnerable and lacking in financial support to weather such a severe crisis; it is to move ahead to the next phase, which is to structure financing facilities to support the enterprises, above all the SMEs, in their economic recovery with investment and medium- and long-term financing capital.

- Development bank actions should not be isolated, but coordinated, and their efforts joined with those of the other national financial institutions and regional and multilateral financing organizations, thus supplementing the funding structure of existing financial intermediation institutions in both the local and international spheres, and making it possible to implement short-, medium- and long-term programs through the different financial intermediaries.

- Faced by a larger demand for credit, development banks are turning to different funding sources. In addition to access to capital markets, to financing lines of banks and international commercial funds, development banks of developed countries, the support, coordination and close relations with regional and multilateral financial organizations is highly important because it goes beyond financial matters alone. In addition to providing financing, they also offer technical support and the transfer of knowledge.

- The region's challenges are those of the development banks, in the degree to which they must coach the governments in policy implementation from the viewpoint of enterprise, subnational government and household financing. Aspects like fund-raising to reinforce investment in resilient production and social infrastructure, infrastructure for digital access, support for employment generating activities, support for SME recovery, women's economic empowerment and entrepreneur development, the creation of new investments due to enterprise relocation/regionalization in international value chains; boosting agricultural and rural development, deepening financial inclusion, raising investments in climate issues, supporting technological development, and enterprise innovation are all a part of the development banking sphere of action.