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# From Global Crisis to Comprehensive Security: Development Banking, Forging the Future of Latin America

The 55th Annual Assembly of ALIDE addressed the need for a comprehensive recovery strategy that not only reactivates economies, but also promotes multidimensional security—encompassing economic, social, environmental, technological, and digital aspects, among others—within a context marked by uncertainty, where national, regional, and international cooperation and joint action have become critically important.

## KEY POINTS

- ▶ The current global landscape is characterized by growing multidimensional insecurity, ranging from energy and climate to the economy, digitalization, food, employment, and citizen security. These dimensions are deeply interconnected and mutually reinforcing, generating a global impact that demands coordinated, comprehensive, and long-term responses. Added to this scenario are geopolitical instability, the weakening of multilateralism and a projected reduction in international development aid, which creates an environment of uncertainty and structural challenges for Latin America and the Caribbean (LAC).
- ▶ **Global economic outlook and its impact on Latin America.** The

indirect impact of U.S. tariff policies arises from weaker global growth, driven by slowing global demand and the deterioration of credit markets, which negatively affects investment.

- ▶ **There is ample room to maneuver on monetary policy in Latin America and the Caribbean, given that** the current restrictive stance of most central banks leaves considerable space for easing.
- ▶ In this context, development banking emerges as a central and

transformative player, with the capacity to influence and catalyze significant changes. These institutions act countercyclically during crises, maintaining or expanding credit when the traditional financial system shrinks, demonstrating their ability to foster economic and climate resilience. Its mandate goes beyond merely maximizing financial profits, focusing on human development, financial inclusion, and generating a sustainable social and environmental impact.

*The trend toward supplier relocation represents a significant opportunity for LAC, but its utilization will depend largely on each country's logistics capabilities, investment climate, and the coherence of domestic public policies.*



- ▶ **The most pressing challenge today is how to finance the future.** One of the main challenges facing the region is mobilizing private capital to finance the productive and social sectors. It is known that countries in the region have fiscal restrictions that limit their ability to finance large investments.
- ▶ **The trend toward supplier relocation represents a significant opportunity** for LAC, but taking full advantage of it will largely depend on each country's logistics capabilities, investment climate, and the consistency of domestic public policies.
- ▶ **Adaptation of financial instruments with agility to preserve the stability of the productive fabric.** The successful outcomes of the program in critical situations, through public-private collaboration for economic recovery or the preservation of the productive sector, led to its reuse in response to other contingencies.
- ▶ While some sectors **tend to downplay the urgency of climate change, development banks view this stance not as a risk, but as a political and financial challenge.**
- ▶ Changes in approach to climate change **create a scenario that may lead to reduced international funding, limitations on technical cooperation, and greater difficulties in reaching multilateral agreements,** particularly affecting the most vulnerable countries in LAC. In response to this challenge, some institutions have strengthened their institutional strategies by embracing a development vision focused on sustainability.
- ▶ **From the perspective of development banking, it is emphasized that rather than simply new opportunities, there is a renewed responsibility to act as strategic allies in financing sustainable development.** This entails stepping up efforts to catalyze triple-impact investments (economic, social, and environmental), design innovative financial instruments, engage the private sector, and address structural gaps, particularly in productive and social infrastructure.
- ▶ **Importance of regional, multilateral and extra-regional development banks.** At a time when financial conditions are perceived as more restrictive and the cost of access to financing remains relatively high, regional and multilateral financial institutions are becoming increasingly important for accessing long-term financial and non-financial resources. However, they are required to improve access conditions in order to make them more agile and differentiated from private sources.
- ▶ **While progress has been made in renewable energy, the region still relies heavily on fossil fuels.** This high dependence makes it vulnerable to fluctuations in international oil prices, environmental risks, and geopolitical insecurity. LAC has enormous potential for renewable energy, particularly hydroelectric, solar, and wind sources.
- ▶ To achieve **true energy security,** it is essential to expand and diversify these capabilities at the regional level. Achieving this requires significant investments in infrastructure, distribution network modernization, energy storage, and the development of transition technologies, as well as strong political will to move toward greater regional energy integration.
- ▶ **The weakening of multilateralism, coupled with the retreat from in-**





**ternational commitments**, directly impacts the implementation of the SDGs and compliance with the Paris Agreement. However, some countries remain committed to global climate action. European nations, along with other major Asian economies, continue to promote green financing and instruments such as carbon markets to support decarbonization plans.

- ▶ The report underscores the urgent need to mobilize private capital for sustainable development, especially at a time when fiscal constraints limit countries' ability to finance major investments. The urgency of swiftly adapting financial instruments is emphasized to preserve the stability of the productive fabric and of mainstreaming the climate approach across all financial policies and practices. Finally, a call to action is made for LAC and its development institutions to assume a proactive and leading

role in global forums, highlighting their needs and proposals to build a more cohesive, resilient, and sustainable future in the region.

### GLOBAL ECONOMIC OUTLOOK AND IMPACTS OF RECENT PROTECTIONIST ECONOMIC MEASURES

- ▶ Emerging markets (EMs) in Asia and Mexico are among the most directly exposed. Significant effects are also observed in Central American countries such as Nicaragua, Costa Rica, Honduras, and the Dominican Republic. In the latter, although exports represent a smaller proportion of GDP, around 60% of them are destined for the U.S., which is significant. In addition to trade, another important transmission channel is remittances. In Mexico, remittances represent between 3.5% and 4% of GDP and are a key component of domestic demand. In Central American countries,

this percentage can exceed 20%. Although direct exposure to tariffs is limited for many EMs, the indirect impact arises from weaker global growth. In turn, credit conditions for EMs will deteriorate amid rising protectionism, as weakening market confidence negatively affects investment; and the US tariff announcements had a greater impact on corporate yields than on sovereign indicators. In the rest of the region, such drastic changes are not expected. Smaller economies continue to rely on remittances, but growth is expected to remain below 2%, which is a sign of structural weakness.

- ▶ As far as interest rates are concerned, a reduction phase has already begun. At the beginning of the year, a moderate decline was anticipated, but greater opportunities for cuts are now identified, as real rates remain above neutral levels, currencies have strengthened, and energy prices have fallen, reducing inflationary pressures. Four key risks have been identified in the banking sector, not only in LAC but globally. These include more than expected negative outcomes, such as a more pronounced economic slowdown, a deterioration in the real estate sector (particularly in the U.S. and China) that is hurting banks' asset quality more than expected, high levels of corporate and government debt, now close to historic highs—amid high interest rates—which could exacerbate corporate insolvencies and lead to a decrease in government support for the real economy and banks; as well as emerging risks related to digitalization, artificial intelligence, cybersecurity, and climate change.

- ▶ In this scenario, LAC has ample room to maneuver on monetary policy. Recent trade tensions have increased the likelihood of more aggressive monetary policy easing in most LAC countries. The current restrictive monetary policy stance of most central banks leaves ample room for easing; perhaps the exception is Brazil, with less room for interest rate cuts this year.

*The urgency of adapting financial instruments swiftly to preserve the stability of the productive fabric and of integrating a climate-focused approach across all financial policies and practices is emphasized.*

## GROWING MULTIDIMENSIONAL INSECURITY AND GLOBAL CHALLENGES

- ▶ **Growing multidimensional insecurity demands coordinated, comprehensive, and long-term responses.** A crisis in a specific area has systemic effects, which directly impact other sectors. Therefore, isolated solutions are not enough: deep integration among public, private, and social actors is required, as well as a critical review of the current development model. We need to move toward a new paradigm that allows us to rebuild a more just, equitable, and resilient order, with cross-cutting public policies and financial tools capable of responding to the complexity of the present. In this context, development financing faces key challenges, such as the limited availability of resources for public investment and adequate attention to the most vulnerable sectors. Moving from multiple crises or insecurity to building comprehensive security in our economies is not only important, but urgent. In a global context marked by uncertainty, the experience of some countries demonstrates that economic growth, when properly directed, can be an effective vehicle for ensuring

stability, inclusion, and sustainability.

- ▶ **The most pressing challenge today is how to finance the future.** In this sense, climate finance appears to be a critical dimension. There are regions that face a structural paradox. For example, the Caribbean is one of the regions most vulnerable to climate change, yet at the same time it faces severe restrictions in accessing affordable financing. While new financial instruments have been created to raise funds, products such as green bonds, adaptation funds, and other climate instruments are often offered under conditions similar to those of traditional debt, without recognizing the specific characteristics and asymmetries of vulnerability.
- ▶ **This situation demands a thorough review of the international financial system and decisive action on the part of development banks.** The discourse must translate into differentiated, fair, and innovative financial mechanisms. This is where Institutions such as development banks must position themselves as key players in creating specific solutions tailored

to territories, including innovative financial products for climate resilience, adaptation, and just transition. It is also unacceptable that countries that do not face solvency or collateral problems continue to struggle to access adequate climate financing. Therefore, it is necessary to redefine risk metrics and rethink access criteria so that they reflect the true needs of the most vulnerable countries. This is a call to collective action, to redesign the rules of the financial game in favor of sustainable development and climate justice.

- ▶ The trend toward supplier relocation represents a significant opportunity for LAC, but its utilization will depend largely on each country's logistics capabilities, investment climate, and the consistency of public policies. This link needs to be analyzed not only from a commercial perspective, but also in terms of industrial development, export diversification, and technological autonomy. Likewise, the evolution of trade balances is today a key indicator for understanding new economic dynamics. In many countries in the region, trade – for example with China – has grown substantially, driven by structural factors such as the demand for raw materials, sector-specific competitive advantages, and the transformation of the productive sector. In this context, regional recomposition processes acquire renewed importance. Regional integration, trade cooperation, and productive coordination can strengthen LAC's position in the face of changes in the global economic order. At the same time, it is necessary to revalue the role of regional institutions dedicated to trade, financing,





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technological innovation, and sustainable development in order to build a common strategy that allows the region to intelligently integrate into the global economy.

- ▶ Investment and financing must be urgently mobilized to address the major structural challenges affecting LAC countries. While national development banks (NDBs) have the same operational logic as the rest of the banking system, their economic rationale goes beyond the maximization of financial profits, and they play a crucial role in this purpose. They have a public mandate that allows them to act countercyclically, channel resources toward strategic sectors, and promote the financial inclusion of traditionally excluded individuals, sectors, projects, and territories. In this regard, four key messages were highlighted

regarding the NDBs: a) Financial inclusion as a structural priority. Access to credit, savings, digital payments, and insurance are fundamental conditions for improving the quality of life and unleashing human potential in countries; b) Strong governance for sustainable impact. NDBs must ensure robust governance frameworks, with transparency, accountability, and efficient risk management, to guarantee long-term financial and institutional sustainability, maximizing their social and economic impact; c) Beyond financial matters, human development as a purpose. NDBs must transcend their commercial role to become a true pillar of human development. There are experiences that demonstrate that it is possible to align the financial function with social and environmental objectives through strategic projects that transform

territories and communities; and, d) Cooperation and technical assistance. Collaboration among NDBs, as well as access to technical assistance to share best practices, innovate in financial products, and strengthen institutional capacities.

## **ALIDE, DEVELOPMENT BANKS: A CALL TO ACTION**

- ▶ Reaffirmation of the Unique Transformative Power of Development Banks. Development banks have a unique transformative power that distinguishes them from other financial institutions, giving them the responsibility to transform specific successful practices into universal standards within the global development banking community. Their countercyclical role during crises, their ability to maintain or expand credit when the traditional financial system shrinks, and their commitment to economic and climate resilience position them as indispensable agents of socioeconomic and environmental transformation. These institutions are not only sources of financing, but also catalysts for financial innovation, promoters of sustainability, and forgers of strategic alliances that enable global challenges to be transformed into local opportunities.
- ▶ The Imperative of Integrating a Climate Approach into Financial Policies and Practices. Climate risk, which encompasses both physical risks from extreme events and transition risks related to decarbonization, is a persistent and growing threat that directly impacts economies, financial institutions, and social conditions, particularly in developing countries. Its effects translate into market losses, credit

portfolio deterioration, capital flight, increased uncertainty, and greater operational risks in key sectors such as agriculture and energy. Understanding that climate risk is a systemic financial risk, not merely an environmental one, requires its proactive integration into regulatory frameworks and institutional practices.

- ▶ To strengthen the financial system's resilience to climate change, it is a priority to enhance climate risk disclosure, align with international standards such as the TCFD and ISSB, and integrate these risks into financial supervision frameworks. It is essential to mobilize investments aligned with sustainable criteria, adopt international sustainability standards (ESG, taxonomies, climate stress tests), and advance the implementation of regulatory frameworks for sustainable taxonomy, an area where LAC has shown significant progress.
- ▶ The Importance of the Active Presence of LAC in Global Forums (COP30, FfD4). The active presence of development banks in global discussion forums, such as the 2025 United Nations Climate Change Conference (COP30) and the International Conference on Financing for Development (FfD4), is essential. LAC and its development finance institutions cannot remain on the sidelines of these processes; they have the mission and responsibility to bring their needs, capabilities, and proposals to the global table. This active participation is crucial to ensuring that global solutions are effective, adapted to local realities, and capable of generating a tangible impact on the most vulnerable communities.

- ▶ The region has valuable experience in designing and implementing innovative financial instruments, as well as in supporting projects related to energy transition, resilient infrastructure, sustainable agriculture, and productive strengthening with a territorial focus, among other priority areas. The transformation of LAC from an aid recipient to a proactive actor and co-creator of global solutions is essential to ensure that development and climate agendas reflect the region's realities and capabilities.
- ▶ Commitment to Cohesive, Resilient, and Sustainable Development for LAC. The path toward a more resilient and sustainable future for LAC requires a profound transformation of its financial structures, enhanced regional cooperation, and a long-term strategic vision. Only through an integrated approach that combines development, innovation, and equity will it be possible to ensure a secure and prosperous future for the region. This involves building national and regional consensus by coordinating short-, medium-, and long-term policies that guarantee more cohesive and sustainable development throughout Latin America.

- ▶ In a context marked by high volatility, a slowdown in global GDP, and a decline in international trade, the relevance of national development banks and international organizations financing climate action will become increasingly evident in the coming years. Their role will be crucial in addressing the structural challenges affecting the most vulnerable economies. Even in high-income countries, the communities most affected by climate impacts are often those made up of migrants from developing countries. These communities face greater barriers to adaptation and recovery. In climate risk analysis, both physical risks and transition risks must be considered. The latter, linked to the decarbonization process and economic transformation, present greater technical challenges for quantification, but have equally significant impacts: lower growth, compromised productivity, deteriorating financial conditions, and direct impacts on the financial system. Observable effects include market losses, credit portfolio deterioration, capital outflows, increased uncertainty, and greater operational risk, particularly in key sectors such as agriculture and energy.

