First International Organization to obtain ISO 9001 Quality Certification
Global Symposium on Development Financial Institutions
“Balancing Sustainability and Social Mandate: Development Financial Institutions in a New World”
(Sasana, Kijang, Kuala Lumpur, Malaysia, September 19-20 2017)

Role and Future Challenges of Development Financial Institutions

Edgardo Alvarez
Secretary General of ALIDE
Latin America and the Caribbean (LAC): global data

- **Economic growth (GDP):** 2002-2012 (3.1%). Outlook 2017 (1%), 2018 (1.9 %) (Source: FMI).

- **GDP per capita:** 2002-2012 grew by an average 4.5%. Outlook 2017 (2.22%) y 2018 (3.24%) (Source: FMI).

- **Foreign trade:** 2011-2015 growth below GDP growth (<3%), in 2016 (about 1.5%). In 2017 there is a recovery in the price of minerals in particular gold and copper and other raw materials. The terms of trade are improving.

- **Research and development (R & D):** invest less than OECD countries. Brazil is the only country in the Region whose R & D expenditure is greater than 1% of GDP. (Source OECD, Unesco).

- **Financial inclusion:** About 50% of adults have an account with a financial institution. In the last decade, 40 million adults have been incorporated receiving government payments into accounts.

- **De-risking:** involves serious risks for the smaller and more vulnerable economies.
LAC development banking in permanent change

- Create innovations in the market, operate counter-cyclically.
- Identifying new areas or sectors to be developed.
- To become agents of change in the countries.
Development banking in permanent change

The Latin American Association of Development Financing Institutions is:

- “Community of financial institutions that creates solutions in development banking for the development of Latin America and the Caribbean“.

- ALIDE’s aim in the activities it promotes and develops is to achieve a cohesion and to strengthen the actions and participation of financial institutions in the social and economic process of the Region.
Survey conducted by ALIDE

- I Financial inclusion and digital banking.
- II Economic and social infrastructure.
- III Technological innovation and development.
- IV The environment and climate change.
I. Financial inclusion and integration and digital banking

- Promoting mid- and long-term financing; participating in larger financing schemes together with bilateral and multilateral credit institutions, with public, private and mixed guarantee funds or trusts, and achieving a structural dynamism through technological phasing in different productive sectors.

- Channeling financing for the creation of knowledge, systematization and dissemination of technological platforms, such as Fintech.

- Ability to adapt to the advances in new technology. In Latin America and the Caribbean (LAC), 35% of banks realize they do not meet the needs of millennials.

- Operating through digital media. The new generations are more inclined to use digital media and the internet.
I. Financial inclusion and integration and digital banking

- **Support to SMEs and employment**

- Using a variety of financial and non-financial instruments to support business owners at each stage of their businesses; adding value and inserting them into global value chains; improving productivity and competitiveness, achieving their internationalization with innovation and development of their endeavors.

- Job creation. Especially in innovative businesses: businesses of the future. and they are the ones that will create the new jobs that will compensate for those that are lost along with the traditional production modes and technologies.

- Support to the adoption and use of information and communication technologies with SMEs.

- Internationalization of businesses so that they may access non-traditional and new markets, mainly those with which we have signed sales agreements or which are attractive due to their economic situation.
II. Physical and social infrastructure

- Go deeper in financing the productive and social infrastructure.
- Developing instruments and programs for financing infrastructure linked to the objectives promoted by each country.
- Supporting the development of national infrastructure programs.
- Maximizing and facilitating the mobilization of private capital into infrastructure projects.
- Taking risks that the market is not willing to take.
- Obtaining or improving the conditions of long-term financing for the development of projects with the granting of guarantees.
- Playing a key role as a catalyst of projects for the structural transformation of the region, such as financing intelligent infrastructure.
- Supporting the development of funds from capital markets with emphasis on infrastructure projects.
- Being complementary of private resources for financing this type of projects, syndicating credits for them.
III. The environment and climate change

- DFIs have pioneered, both in LAC and in Europe, in the fight against climate change.

- The DFIs are expanding their financing sources to the capital market by issuing green bonds. They also have the opportunity of becoming first-rate players in order to channel resources for investments in adaptation and mitigation projects from the Green Climate Fund (GCF) and the Global Environment Fund (GEF).

- Great capacity for PPP dissemination in the local and international financial markets.

- Providing second-tier funding that incentivizes risk-taking on the part of the financial intermediaries.

- Providing support that allows to reduce costs, non-reimbursable technical assistance granted by local or foreign entities for the structuring of projects.
IV. Technological innovation and development

- Developing innovation ecosystems that facilitate the emergence of startups, technology-based businesses, formation of clusters in cutting-edge and TIC sectors.

- Supporting the goal of making the producers more productive so they generate more revenue through financing focused on technological packages validated for specialized institutions.

- Developing innovative products and services in accordance with the needs of the customers and forming strategic alliances with specialized entities.

- Taking advantage intelligently of the weight that the State has as a purchaser of goods and services to support the development of innovative or high-technology industries.
Other challenges

- Advice their governments in public policies for investment and business opportunities.
- Funding.
- Balance between institutional sustainability and social objectives: impact and efficiency.
- Banking regulation and supervision.
Latin American Association for Development Financing Institutions (ALIDE)

www.alide.org

First International Organization to obtain ISO 9001 Quality Certification