Banca & DESARROLLO

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56

ALIDE ASSEMBLY

Innovate, Invest, and Include

ALIDE Development Banking Community of Latin America and the Caribbean

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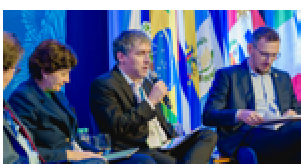
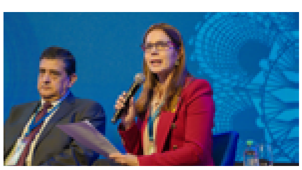
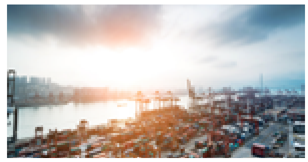






Message from the **President**

The global economy continues to navigate a period of heightened uncertainty, shaped by geopolitical tensions, rapid technological change, fiscal constraints, environmental pressures, and growing competition to attract investment. For Latin America and the Caribbean, this context presents significant challenges, but also creates opportunities linked to the energy transition, food security, digitalization, sustainable infrastructure, the strengthening of local capital markets, and the reconfiguration of productive value chains.

Seizing these opportunities requires expanding the availability of long-term financing and directing it toward sectors with the greatest potential to enhance productivity, generate employment, promote inclusion, and foster sustainability. In this context, development banking plays a strategic role by mobilizing public and private capital, sharing risks, designing appropriate financial instruments, and supporting productive transformations that are not always adequately served by traditional financial markets.

Under the theme "Innovate, Invest, Include: Development Banking Driving Inclusive and Transformative Growth in the New Global Economic Landscape," the 56th General Assembly of the Latin American Association of Development Financing Institutions (ALIDE), held in Asunción and hosted by Banco Nacional de Fomento (BNF) of Paraguay, provided an opportunity to reflect on these challenges and advance a shared regional agenda.

The Assembly's sessions and dialogue forums addressed priority issues for our member institutions, including the mobilization of productive investment, financial innovation, local currency financing, climate inclusion, digital transformation, development impact measurement, thematic bonds, artificial intelligence, and climate-resilient infrastructure.

In the same spirit, the ALIDE Awards 2026 recognized outstanding practices that demonstrate the capacity of development banking to respond to the region's challenges with concrete and innovative solutions. The awarded initiatives included financial products aimed at expanding productive and agrifood lending, business recovery mechanisms in response to climate-related shocks, technological modernization, transparency, financial education, green finance, forest restoration, the inclusion of women entrepreneurs, and development impact assessment. Together, these initiatives reflect a development banking sector that is increasingly innovative, closely connected to the territories it serves, and firmly focused on measurable results.

At ALIDE, we value the fact that this meeting strengthened the exchange of experiences and cooperation among member institutions, international organizations, public authorities, development cooperation agencies, and private-sector stakeholders. Latin America and the Caribbean needs a strong, innovative, and well-coordinated development banking system capable of mobilizing financing to support a more inclusive, sustainable, and resilient productive transformation. The challenge ahead is to translate this agenda into action through concrete instruments, effective cooperation, and a shared vision for development.

With this conviction, ALIDE reaffirms its commitment to continuing to promote knowledge sharing, institutional cooperation, and financial innovation in the service of the region.

We therefore invite you to explore the different sections of this issue of the magazine, which is devoted entirely to the themes addressed during our 56th General Assembly.

Juan Cuattromo
President ALIDE

Global Shifts, Mobilization, and Scaling Up of Productive Investment for Development

The reconfiguration of the international economic order, marked by persistent uncertainty and volatility, presents both significant challenges and major opportunities for Latin America and the Caribbean. This context calls for decisive action and a strengthened strategic role for development banks.

During ALIDE's 56th Annual Assembly, one of the key topics discussed was the global transformations affecting the region, as well as the need to promote investment that generates employment, reduces poverty, and fosters greater social inclusion. The following summarizes some of the main insights that emerged from these discussions.

Productive transformation, economic modernization, and social inclusion do not occur spontaneously: they require vision, institutional frameworks, and financing.

- **Profound redefinition of the international economic order.** The global economy is slowing amid high uncertainty, trade and financial tensions, inflation that is more persistent than expected, and interest rates that continue to condition productive investment. Fragmentation and geopolitical conflicts are reshaping supply chains and putting pressure on the prices of energy, food and other strategic raw materials. What used to be temporary volatility is now a structural condition. Latin America faces this scenario from a challenging position: insufficient growth, investment below our needs, productivity gaps, and persistent social and territorial inequalities.
- **Uncertainty is not a new phenomenon.** It is part of the environment in which economies operate and affects growth because it can paralyze investment, reduce consumption, increase financial volatility, restrict credit, raise risk aversion and affect employment. Without investment and consumption, the two main components of demand lose momentum and growth suffers. Uncertainty has always been present; perhaps in the past its effects took longer to appear and did so on a smaller scale. Today, with greater integration of economies at the global level and immediate access to real-time information, its effects are faster and are amplified more easily. The relevant question is not whether uncertainty exists, but what its effective magnitude is and how it should be incorporated into economic policy decisions.
- **The new international shock is associated with the conflict in the Middle East and its possible effects on the global economy.** The International Monetary Fund (IMF) works with differentiated scenarios according to the duration of the conflict and its implications for prices, especially oil. The scenario initially considered temporary has shifted toward an adverse situation and, if the conflict continues, could approach a severe scenario. In this case, policy responses must be appropriate to the type of impact each country faces. There is no single solution for importers and exporters of oil, food or fertilizers. Measures must be designed intelligently, avoiding poorly calibrated fiscal responses that compromise medium-term sustainability.
- **A response to the scenario described above involves strengthening the strategic role of development banking, as we have done in other complex periods.** Productive transformation, economic modernization and social inclusion do not occur spontaneously: they require vision, institutional capacity and financing. Development banking fulfills that function. Not as a substitute for the market, but as a strategic complement where the market does not reach, where risk is higher or where social returns exceed financial returns. The responsibility of these institutions is to finance where others do not, support strategic sectors, mobilize investment toward transformative activities, and expand opportunities for those who have been left outside the financial system.

- **That mandate of development banking now takes on a new dimension, because Latin America and the Caribbean (LAC)** has extraordinary opportunities in key areas for the future, such as the energy transition, digital transformation, the relocation of production chains, resilient infrastructure and sustainable agrifood systems, among other areas, which can redefine the region's position in the world economy. But no opportunity becomes development by itself: it needs investment, coordination, institutional capacity and long-term financing. This is the new frontier of development banking: not only lending but building value chains that last for generations. Financing must operate as a tool for productive transformation, capable of connecting investment opportunities with the generation of capacities, employment and territorial development.

- **The productivity leap in Latin America, in general, will come through the modernization of traditional sectors, so that innovation reaches them and they understand, use and apply it.** That is where the role of development banking lies: reaching where other financial institutions do not reach and acting as a connector among the different actors. In this way, development banks not only provide financial services, but also support the transformation process of small economic agents and vulnerable actors, allowing this process to spread throughout the economy and help reduce not only technological gaps, but also social and economic gaps. The competitiveness of today and the competitiveness of the future will depend on how we manage to democratize technology and innovation.

- **The mobilization and scaling of productive investments for development is central.** Public development banks play an increasingly important role in supporting countries' development and climate objectives. In recent years, they have strengthened their ambitions and expanded their operations, contributing significantly to financing. At the same time, we know that moving from ambition to implementation, especially at scale, remains a shared challenge. Addressing this challenge requires coordination and sustained partnerships across the entire international financial architecture. In this context, international sources of concessional financing, together with a broad range of stakeholders, play a fundamental role in reducing risks and scaling innovative instruments and approaches.

- **In some Latin American countries, under this scenario of uncertainty,** public policies such as industrial policy, climate transition policy and national sovereignty policy are being reorganized. For example, in Brazil, the Federal Government promoted a plan of US$30 billion for exporters affected by United States measures, which included job maintenance clauses. More recently, it launched another broader program with a larger budget that, among other objectives, also seeks to support the development of strategic sectors such as fertilizers and strategic minerals affected by the current situation. In this context, BNDES, the federal-level development bank, has positioned itself much

In general, the productivity leap in Latin America will come through the modernization of traditional sectors—ensuring that innovation reaches them and that they understand, use, and apply it.

more strongly to face and help the country address this new and highly challenging scenario, combining credit and guarantees. In the same direction, Mexico, through Plan México, focused on infrastructure, reindustrialization, investment attraction, the reactivation of production chains and the integration of Mexican firms into the national and international economy, is led by development banking, NAFIN and Bancomext, which promote business integration through different financing strategies and instruments: guarantees, sustainable and thematic financing; private capital through the capitalization of investment funds, private equity and venture capital in projects focused on technology, technological infrastructure, microchips and advanced production. In general, they are devoting efforts to inclusive sectors, with regional impact and an export-oriented vision.

- **There are major challenges in the business sector.** In particular, micro, small and medium-sized enterprises face difficulties in innovating, investing and including. Building a business culture whose decisions do not depend excessively on uncertainty is a fundamental challenge. This is even more important in Latin American economies where a significant share of gross domestic product and employment is generated by firms that are mostly micro, small and medium-sized, and where a significant share operates informally. In this context, the existence of a major gap, a major challenge is recognized. Therefore, it is necessary to get closer to entrepreneurs in order to understand their needs in greater depth and to understand how to activate demand for credit for investment, modernization and asset acquisition. Likewise, regarding the internationalization of firms, it is necessary to support them throughout the process: diversifying markets, transforming production toward higher value-added goods, expanding the exportable supply and, ultimately, improving productivity. An example of this approach is what Bancoldex has been doing in Colombia.

Financing Innovation and Technology Adoption

Financing the future and financing innovation require a different approach from the traditional way of evaluating and providing credit. It calls for operating within an innovation ecosystem, strengthening institutional capabilities, and engaging with a broad range of specialists beyond the financial sector.

Innovation, technology adoption, and their role in fostering high-productivity entrepreneurship were also highlighted as key topics during the Assembly. Below are some of the main insights that emerged from these discussions.

- **Innovation is not only about adopting technology:** it is about rethinking financial instruments, creating more efficient mechanisms for mobilizing resources, incorporating data intelligence, developing new guarantee schemes and strengthening the capacity to measure economic, social and environmental impact. To finance the future and finance innovation, credits different from traditional ones are needed. It is not possible to finance innovation with the same criteria used to finance physical investments, especially because innovation is uncertain, speculative, takes time and involves high risk. Its analysis is based less on physical evidence and more on the knowledge and capacities of those seeking financing for their innovative projects. On the other hand, the solutions offered to companies are not limited only to credit. Credit responds to a specific need, but the aim is to strengthen the portfolio so that support for the entrepreneur is permanent and adapted to their needs. This support includes non-financial services, the generation of business capacities, financial products such as credit and guarantees, and also the possibility of capital investment in those companies.

Public resources are limited and impose constraints, yet the challenges today are far greater. Hence the importance of private sector participation in mobilizing investment.

- **In the experiences presented by development banks, different areas of action to support innovation were observed.** The first is reimbursable financing for innovation. Another area is the creation of hubs or innovation cells within the institution, aimed at managing the bank's internal innovation and also managing the innovation ecosystem in the area where the banks operate. They also act through investment funds with equity stakes, working with equity and becoming partners of companies. Finally, there are also research and development funds with non-reimbursable resources.

- **Innovation within development banks.** Innovation must begin within financial institutions themselves. Therefore, it was stated, and the cases and experiences presented emphasized, that the digital transformation of development banks requires linking technology, data, governance and internal capacities with multidisciplinary teams, as well as a clear understanding of users' needs. In this process, AI can help expand access to financing, improve institutional efficiency and strengthen the capacity to respond to the region's development challenges.

- **Public resources are limited and impose restrictions, but the challenges are now much greater.** For this reason, the importance of private sector participation in mobilizing investment was emphasized. Development banks in LAC must be integrated into this dynamic by acting as catalysts for investment in innovation, mitigating risks, attracting the private sector and co-investing when necessary. Innovation ecosystems must be stronger, more connected and integrated, and must not operate in isolation, in order to respond to problems and finance increasingly sophisticated instruments. For this, it is considered that development banks must have three institutional capacities. First, technical capacities: to provide intelligent and blended financing, such as blended finance, they must know how to evaluate innovation projects with intangible assets whose future return cannot be precisely estimated from the outset. Therefore, they must have engineers, scientists and specialists, not only financial profiles. Second, operational capacities: innovation is a collective process that involves the public sector, the private sector, academia, universities and research and development centers. Therefore, development banks must connect with these actors, with different types of data and information, and with clients such as startups. Third, governance and learning capacities: this means strengthening monitoring and impact evaluation. Conducting systematic evaluations is essential to identify what should be scaled up, what should be canceled and how to ensure truly productive and institutional transformation.

Project Financing
and Structuring

There are numerous challenges to financing and developing infrastructure projects, ranging from the strategic vision of authorities at different levels of government to the ability of development banks to mobilize funding under appropriate conditions to finance projects across sectors and scales.

The role of development banks in financing climate-resilient strategic infrastructure projects to mobilize investment and promote social inclusion was also a key topic during ALIDE's Assembly. Below, we highlight the experiences of two development banks.

- The experiences and challenges faced by development banks in structuring and financing large or medium-sized projects are diverse and vary by country. In Colombia, for example, the Financiera de Desarrollo Nacional (FDN), although it has experience in large projects, of around US$1 billion by local standards, faces a different problem when dealing with medium-sized or small projects with local or subnational governments in intermediate or small cities. In these cases, there is less understanding of what the structuring process involves and of the time required to develop projects, times that do not coincide with political cycles. An infrastructure project can take between four and eight years, so some authorities are reluctant to allocate resources to a project that will be completed during another administration.

What the FDN has done is approach these levels of government and explain the benefits of good structuring. What has helped greatly, and has been fundamental, is that the structuring processes in which the

FDN has participated, which are the large projects in Colombia, have had successful results. This has produced a demonstration and confidence effect and has helped remove the perception that structuring was not necessary. Therefore, they must carry out work to persuade and explain the nature of these processes, their different phases, the importance of pre-feasibility, a feasibility stage that allows the project to be financially viable, and the benefits it will have for the respective community. The problem is that this is often perceived more as an additional cost than as an investment; that is a change that must be made with those authorities.

In the case of the FDN—the primary financier of road and highway projects—the current challenge is diversifying its portfolio into sectors such as renewable energy, transportation, wastewater treatment, and seaports, among other projects.

- Another limitation in financing infrastructure projects is the lack of available funding under adequate conditions. In the case of the FDN, the main financier of road and highway projects, the current challenge is the diversification of the portfolio toward sectors such as renewable energy, particularly solar energy, a sector with strong growth, where it is beginning to provide financing, as well as transportation, trains and metro systems, wastewater treatment, seaports and other projects. The difficulty is that interest rates remain high in the country. Solar energy projects require lower rates, and the FDN cannot turn to the capital market to issue bonds at interest rates that would prevent the project's economic viability. At this point, the mobilization of resources from multilateral and bilateral sources becomes especially important. For this reason, the institution has been seeking concessional blended finance resources.

- Another experience, but a very different one, is the Banco Nacional de Fomento (BNF) of Paraguay. Until 2017, the BNF had legal restrictions on the loanable amount, which prevented it from reaching the segment of medium-sized and large clients where infrastructure works are mainly concentrated. With changes to its legal framework, the Bank now participates in the main syndicated loans carried out in the country, including the first public infrastructure PPP project. Through this financing structure, the main banks in the system participate, including the BNF. Confidence is generated, risks are shared, the quality of risk analysis improves, the process is facilitated, time frames are shortened and a high-impact investment for the country becomes viable. As in the case of Colombia's FDN, demand for financing for this type of project is growing and funds are required, especially long-term funds. Therefore, in order to diversify its funding sources, the BNF will carry out its first bond issue in the local capital market and later expects to enter the international market.

Asunción Declaration

The financial institutions that are members of ALIDE, based on the deliberations of the 56th Ordinary Meeting of the General Assembly, reaffirm their commitment to supporting investment, technological innovation, and social and financial inclusion. Below are some of the main points included in the Declaration of Asunción.

- We recognize that the global economy is going through a period of high uncertainty. Geopolitical tensions, aggravated by the conflicts in the Middle East and their effects on energy markets, are compounded by productive fragmentation, the resurgence of protectionism, and an international financial environment that remains restrictive. Latin America and the Caribbean faces this scenario with structural productivity gaps, persistent inequality, and fiscal constraints, which reinforces the strategic role of development banking as an anchor of stability and a driver of transformation.

- We identify strategic opportunities arising from the reconfiguration of the global economy. The relocation of value chains, the energy transition, and digital transformation create a favorable environment for the region to strengthen its participation in the world economy. In this framework, development banking, in partnership with the organizations present at the Assembly, has the capacity and responsibility to catalyze such investment and promote the generation of quality employment.

- We reaffirm that technological innovation, high-productivity entrepreneurship, as well as digital transformation, are indispensable conditions for competitiveness. We commit to promoting the responsible and ethical adoption of artificial intelligence (AI), digital technologies, and data analysis to expand access to financing, inclusion, and the strengthening of risk management, in line with the 2023 Santiago Declaration on Ethical AI for Latin America and the Caribbean, initially signed by 23 countries in the region.

- We consider it a priority to promote technological investment in the region by fostering regional capacities in research, innovation, digitalization, and technological development applied to priority strategic sectors. In a global environment marked by accelerated digital transformation, artificial intelligence, automation, and growing competition for access to critical technologies, development banking must play a promotional role in financing innovation ecosystems, as well as digital infrastructure and connectivity, the promotion of technological ventures, knowledge transfer, and the training of specialized human capital.

- We commit to strengthening domestic financial markets as a central strategy for resilience against external volatility. We will promote instruments in local currency, including green, social, and sustainability bonds, and will coordinate development banking with capital market actors to expand long-term financing at lower cost and with hedging mechanisms against foreign exchange exposure.
- We renew the non-negotiable commitment of development banking to the climate agenda. In a context of uncertainty regarding multilateral climate finance commitments, we are regional guarantors that this agenda will not backslide. We commit to financing resilient infrastructure in clean energy, water, and sustainable transport; supporting the transition of agri-food systems toward climate-smart models, in line with international commitments; promoting rapid-response instruments for disasters, such as parametric insurance and emergency credit lines, with emphasis on the Caribbean; and scaling climate finance through the Green Climate Fund and thematic bonds in the region.
- We ratify our commitment to promoting inclusive development that ensures that the benefits of investment, innovation, and productive transformation reach more people, companies, and territories. To this end, we consider it a priority to strengthen both financial and non-financial instruments aimed at social, territorial, and financial inclusion, with special attention to women, youth, micro, small, and medium-sized enterprises, rural communities, and Indigenous peoples.

The relocation of value chains, the energy transition, and digital transformation are creating a favorable environment for the Latin America and Caribbean region to strengthen its participation in the global economy.

- We value the integration of the Caribbean as an essential part of our community. We recognize its vulnerabilities to climate change and external indebtedness, and we commit to strengthening cooperation with the institutions of the region.
- We reaffirm that, in a context of new international economic alliances, regional cooperation is strategic and irreplaceable. We commit to strengthening coordination among our institutions to multiply collective impact. We uphold the urgent need to reform the international financial architecture so that it is more representative, agile, and equitable. Likewise, we support access to lower-cost financing for middle-income countries, the reform of debt frameworks, and the strengthening of the voice of emerging economies in global financial governance.
- We will promote a regional agenda aimed at mobilizing productive investment, deepening local capital markets, financing resilient infrastructure and sustainable agri-food systems, expanding financial inclusion with a gender and territorial approach, strengthening risk management, promoting technological sovereignty, and systematically measuring development impact.

Innovation, inclusion and sustainability:

winning initiatives of the 2026 ALIDE Awards

Within the framework of ALIDE's 56th Annual Assembly, held in Asunción, Paraguay, the 19th edition of the ALIDE Awards took place, a competition that recognizes innovative initiatives in products, financial services and management within development banking in Latin America and the Caribbean. In this edition, 9 good practices were recognized.

CATEGORY I. FINANCIAL PRODUCTS

FFIDEICOMISOS INSTITUIDOS EN RELACIÓN CON LA AGRICULTURA (FIRA), MÉXICO

Bursatilización de cartera con Garantía de Pago Oportuno (GPO)

The initiative seeks to diversify the funding of financial intermediaries, especially Non-Bank Financial Intermediaries (NBFIs), through access to capital markets under competitive conditions. It makes it possible to transform credit portfolios into liquidity, reduce funding costs, improve the risk profile with the Timely Payment Guarantee (GPO) and strengthen origination, administration and monitoring practices. Its impact is reflected in greater rural financial inclusion, more credit for producers and agricultural enterprises, and stronger value chains, with emphasis on Mexico's South-Southeast region. Since 2016, six issuances have been structured with 10 NBFIs, for US$147 million placed and US$277 million in accumulated securitized portfolio, equivalent to 1.89 times the amount issued, serving 7,454 direct borrowers and 15,154 indirect final borrowers.

BANCO DE DESARROLLO EMPRESARIAL DE COLOMBIA (BANCÓLDEX), COLOMBIA

BLOOMING ROOTS

Blooming Roots is a fund structured together with the United Nations Development Programme (UNDP), Amplo and Grassroots Business Fund, to support the productive recovery of Providencia and Santa Catalina after Hurricane Iota. It finances local micro and small enterprises in tourism, commerce and agroindustry through blended finance based on income, rather than fixed installments, together with technical assistance in accounting, finance, marketing, management and operational strengthening. Its impact includes business recovery, job retention, female leadership, improved management capacities, environmental practices and economic resilience to climate shocks.

CATEGORY II. MANAGEMENT AND TECHNOLOGICAL MODERNIZATION

BANCO NACIONAL DE FOMENTO (BNF), PARAGUAY

INTERCONEXIÓN BNF-SUACE

It is a digital infrastructure implemented in 2024, which integrates the incorporation of Simplified Stock Companies (EAS) with the opening of business accounts in Paraguay. Its objective is to facilitate early access to the formal financial system through the platform of the Unified System for Opening and Closing Companies (SUACE), reducing time, costs and operational barriers. The initiative strengthens business financial inclusion and creates conditions for access to productive credit. In 2025, BNF recorded 2,438 new business relationships, 1,265 of them EAS, with nearly 90% processed digitally. Deposits in this segment increased from US$380 thousand in 2023 to more than US$4.1 million in 2025, and financing rose from US$47 thousand to US$3.76 million.

BANCO NACIONAL DE OBRAS Y SERVICIOS PÚBLICOS, S.N.C. (BANOBRAS), MEXICO

BANOBRAS HOY

Interactive digital platform launched in 2023 to strengthen transparency, accountability and technological modernization. It offers open and georeferenced access to information on financing granted since December 2018, its territorial distribution and its economic, environmental, social and gender impacts. Its contribution consists of making operations, projects and sustainability indicators visible, in line with the SDGs, Mexico's Sustainable Taxonomy and its sustainable bond framework with a gender perspective. At the end of 2025, Banobras recorded a direct credit portfolio of more than US$38.1 billion and total assets of US$69.1 billion.

CATEGORY III. INFORMATION, TECHNICAL ASSISTANCE AND SOCIAL RESPONSIBILITY

CAJA DE AHORROS, PANAMA

PROGRAMA DE EDUCACIÓN FINANCIERA

The program promotes financial capacities among the Panamanian population from childhood, in savings, budgeting, planning, credit, financial health and entrepreneurship management. Its objective is to encourage informed economic decisions, prevent over-indebtedness, promote responsible banking access and serve children, youth, women, entrepreneurs and vulnerable groups through partnerships with schools, social organizations, public institutions and private companies. Its impact is reflected in greater economic resilience, a culture of savings, the sustainability of small businesses and the reduction of financial education gaps. With the German Sparkassenstiftung, around 10,500 people were trained in the period 2017-2022. Between 2023 and 2025, 61% of beneficiaries were women; more than 2,700 children and 2,929 entrepreneurs have been trained since 2025. By 2026, the goal is to impact more than 10,000 people and exceed 40,000 by 2030.

GREEN ALIDE CATEGORY

BANCO DE DESARROLLO PRODUCTIVO, S.A.M. (BDP-SAM), BOLIVIA

ECOEFICIENCIA BDP

It is a green financing platform oriented toward clean and high-efficiency technologies in Bolivia's productive sector. It seeks to reduce emissions, optimize water and energy use, and facilitate a lower-carbon productive transition through preferential credit, technical assistance and automated measurement, reporting and verification. Between October 2022 and December 2025, it disbursed US$30.0 million in 257 operations, avoided 25,186.81 tons of CO2e annually, saved 3.2 million m3 of water per year, incorporated 20,411.65 kW in renewable energy and recycled 3,741.77 tons of waste annually. Its architecture made it possible to structure Bolivia's first certified green bond, for US$14.8 million.

BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL (BNDES), BRAZIL

BNDES FLORESTAS

Initiative launched in 2023 that integrates financial and technical instruments to scale up restoration and the forest bioeconomy in Brazil. Its objective is to overcome sector barriers through long-term credit, innovation, institutional coordination and mobilization of private capital toward sustainable, environmentally effective and socially inclusive projects. In less than three years, it mobilized approximately US$1,272.2 million, with the potential to plant 280 million trees, restore 168,000 hectares, generate 70,000 green jobs and capture 54 million tons of carbon. Under the BNDES Florestas Credit line, around US$345.3 million were approved.

CATEGORY: SUPPORT FOR WOMEN ENTREPRENEURS

BANCO DA AMAZÔNIA (BASA), BRAZIL

AMAZÔNIA PRA ELAS

The initiative promotes the financial and social inclusion of urban and rural women entrepreneurs in the Brazilian Amazon. It applies differentiated conditions in lines of the Constitutional Financing Fund of the North (FNO) and in oriented productive microcredit, prioritizing companies controlled and managed by women. Its benefits include greater access to formal credit, better terms, limits and grace periods, a cross-cutting gender approach, business assistance, training and support networks. Its impact is expressed in women's economic autonomy, the dynamization of small businesses, employment and income, formalization and the reduction of territorial and gender gaps. Between 2022 and 2024, the contracted volume increased from R$58 million (US$11.6 million) to R$234.5 million (US$46.8 million); the number of women served rose from 16,002 to 56,714, with growth of more than 300% in resources.

CATEGORY: REGIONAL AND EXTRAREGIONAL BANKS

AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD), FRANCE

MECANISMO DE ANÁLISIS Y DICTAMEN DE DESARROLLO SOSTENIBLE (ADDS)

The mechanism evaluates ex-ante the impacts of financed operations on sustainable development. It seeks to orient projects toward the SDGs, avoid negative impacts and strengthen dialogue with partners, clients and internal decision-making bodies. It is based on three pillars, Planet, Society, and Economy and Governance, and six dimensions: biodiversity, low-carbon climate change, climate resilience, social dimension, gender, economy and governance, with ratings from -2 to +3, without offsetting negative impacts with positive ones. Its impact lies in improving the quality of operations, aligning financing and institutional mandate, and filtering eligible assets for SDG bonds. Between 2014 and 2025, 2,098 opinions were issued; between 2021 and 2025, 1,058 covered more than EUR38.6 billion. SDG bonds went from around 30% of the annual financing program between 2021 and 2023 to 50% in 2024 and 58% in 2025, with more than EUR25.9 billion raised since 2014.

Banco Nacional de Costa Rica

Awarded Bank of the Year 2026

With more than 111 years of history, Banco Nacional de Costa Rica (BNCR)—the country's largest bank—has established itself as a strategic public financial institution for Costa Rica's economic, social, and environmental development. Its universal banking model combines financial intermediation, inclusion, sustainability, and digital innovation, positioning the institution as one of the country's leading vehicles for resource mobilization and financial service delivery.

Among the most notable achievements of its performance are the following:

- **Strong financial performance and systemic relevance:** At the end of 2025, BNCR reported total assets of US$17.359 billion, equity of US$1.870 billion, and a net loan portfolio of US$10.729 billion. This scale reinforces its role as Costa Rica's primary financial intermediary and resource mobilization institution. Net income reached US$175 million, representing a 68.3% increase over 2024, reflecting stronger profitability and enhanced internal earnings generation.
- **Capital strengthening and prudent risk management:** Total equity increased to US$1.870 billion in 2025, up 10.1% from the previous year, driven by higher reserves, retained earnings, and capital contributions to statutory and special reserve funds. Asset quality remained sound, with US$10.488 billion in performing loans, compared with US$388 million in non-performing loans and US$190 million under judicial recovery. Moreover, 96.6% of the gross loan portfolio was classified within the lowest regulatory risk categories, while 66.1% of the portfolio was secured by collateral.
- **Medium- and long-term financing for productive investment:** BNCR's lending structure reflects a consistent focus on long-term financing. In 2025, US$9.162 billion, equivalent to approximately 82.5% of its total loan portfolio, consisted of loans with maturities exceeding one year. This is a defining feature of a public development financial institution, enabling it to finance productive investment, business expansion, modernization processes, and projects requiring longer investment horizons.
- **Support for MSMEs and productive sectors:** BNCR supports micro, small, medium-sized, and large enterprises through financing,

At the close of 2025, BNCR recorded assets of US$17,359 million, equity of US$1,870 million, and a net loan portfolio of US$10,729 million. This scale solidifies its position as Costa Rica's primary vehicle for financial intermediation and resource mobilization.

technical assistance, and business development programs. In 2025, the Bank served 75,359 MSME borrowers, while an additional 27,817 MSME clients participated in its BN Mujer women's entrepreneurship program.
- **People-centered banking, financial inclusion, and nationwide outreach:** The Bank pursues a universal banking strategy centered

With a track record spanning over 15 years, BN Mujer promotes financial products, training, leadership, entrepreneurship, and financial education for women. More than 130,000 women are BN Mujer clients within the MSME category, and the program has brought 472,391 women into the formal banking system since 2015.

on people, serving individuals, businesses, digital users, older adults, Indigenous communities, youth, children, women, and enterprises. As a recent benchmark, BNCR served 53% of Costa Rica's population, with more than 2.6 million customers. Its nationwide service network comprises 153 branches, 461 ATMs, 5,470 employees, and more than 2,740 BN Servicios outlets, extending access to convenient financial services through affiliated commercial establishments.

- **Digital transformation and inclusive innovation:** BNCR continued its transformation into a digitally driven public bank while strengthening financial inclusion through digital channels. In 2024, digital transactions accounted for 88% of all banking operations, totaling more than 688 million digital transactions, with strong adoption of its online banking platform, BN Móvil, and BN SINPE services. In 2025, the Bank also expanded its outreach to 40,000 customers in Indigenous territories and reinforced its financial education initiatives targeting underserved populations.
- **Sustainability, thematic finance, and decarbonization:** BNCR further consolidated its sustainable finance model by integrating environmental, social, and governance (ESG) criteria across its business lines. Since 2021, it has implemented the cross-cutting strategy "Together We Are Human, Close, and Sustainable," recognized by the Inter-American Development Bank (IDB) and the European Union. In 2025, the Bank maintained its US$50 million Blue Bond, while continuing to promote social bonds and local development programs. In addition, its Institutional Environmental Management Program has received the highest rating of excellence from Costa Rica's Ministry of Environment and Energy for six consecutive years.
- its community development and social inclusion initiatives. The Transformando Comunidades program supported 91 Community Development Associations and partnered with 43 Rural Water Supply and Sanitation Associations, while the BN Territorios initiative engaged more than 400 MSMEs. Since 2016, the BN Libertad Financiera program has reached over 1.7 million people through financial education and capacity-building initiatives designed to strengthen financial capabilities.
- **Women's economic empowerment and inclusive development:** With more than 15 years of experience, BN Mujer promotes women's economic empowerment through tailored financial products, entrepreneurship support, leadership development, and financial education. More than 130,000 women are BN Mujer clients within the MSME segment, and the program has financially included 472,391 women since 2015. BNCR is a signatory to the Women's Empowerment Principles (WEPs) of the United Nations Global Compact and UN Women. The Bank also maintains a presence across all 24 Indigenous territories in Costa Rica, serving the country's eight Indigenous peoples and reinforcing its commitment to inclusive and equitable development.

Capital Markets adn Local Currency Financing

During the panel "Development of Local Capital Markets and Financing in Local Currency for Sustainable Development", moderated by Pablo Cheng Lu, President of the Asunción Stock Exchange, Paraguay, the strategic role of the capital market as a channel to mobilize long-term resources, particularly in local currency, was highlighted.

In the first block, focused on deepening the capital market and strengthening local currency financing, Hugo Cáceres, Superintendent of Supervision of the Securities Superintendency of the Central Bank of Paraguay (BCP), stated that market development requires three basic regulatory conditions: 1) good rules, 2) clear rules, and 3) effective enforcement. From this perspective, he argued that investor confidence depends on standardized rules, clearly defined obligations for each actor, and risk-based supervision aligned with international best practices. He also indicated that, in increasingly interconnected markets, institutional integration improves information exchange and coordination among supervisors.

For his part, Elias Gelay, president of Cadiem Casa de Bolsa, focused his remarks on the growing demand for local currency securities. He noted that the main challenge does not lie in the law or in costs, but rather in training, project generation, and companies' decision to enter the market. Although there is an increasingly relevant investor base, there are still not enough issuances to meet that demand. In this regard, he highlighted the need to develop more institutional investors, mutual funds, pension schemes, and domestic savings vehicles that can expand market depth. Under this logic, local currency issuances represent an opportunity to raise long-term resources, and development banks could become relevant actors by using this channel to finance productive and investment projects.

Complementing this perspective, Arnold Benitez, director of Avalon Casa de Bolsa, stated that the attractiveness of instruments issued in local currency depends on confidence, clear rules, transparency, and the country's risk perception. However, he also noted that the greatest challenge lies in private initiatives, especially when local companies or projects seek to issue in external markets and in their own currency. In this context, he argued that development banks, multilateral organizations and regional institutions, can play a decisive role through guarantees, hedging mechanisms, co-structuring, and participation as anchor investors. These mechanisms help reduce risks, improve the credit quality of instruments, and overcome the idea that local currency issuances are only viable when backed by a sovereign guarantee.

In the second block, centered on development banking as a catalyst for investment through strategic financial instruments, César Vargas, general manager of Banco Nacional de Fomento (BNF), argued that development finance institutions face the challenge of financing longer-term operations without relying exclusively on traditional deposits. In this context, he stated that diversifying funding sources is a necessary condition for expanding the participation of public development banks in investment loans, infrastructure, and productive sectors. From this perspective, the capital market can become a strategic source of resources, insofar as it allows these institutions to act as issuers, expand the supply of financial instruments, and consolidate local currency financing alternatives.

Ulises Ruíz, head of the Financial Unit of Nacional Financiera (NAFIN) and Banco Nacional de Comercio Exterior (Bancomext), Mexico, highlighted that development banks can also mobilize resources through guarantees, thematic financing, funds of funds, and participation as anchor investors. His remarks emphasized these institutions' capacity to attract capital from other investors, multiply the reach of their balance sheets, and channel domestic savings toward local financial instruments. Along these lines, he underscored the importance of expanding the investor base, including through retail access platforms that allow individuals to participate in instruments issued in local currency.

Finally, Adrián Cosentino, president of Banco de Tierra del Fuego (BTF), Argentina, highlighted that the capital market does not develop spontaneously. According to him, specific regulations, market infrastructure, and appropriate vehicles are required so that participants understand the operating rules and the available scope for action. He also highlighted the importance of domestic institutional investors, as well as structures that make it possible to channel resources toward the assets that are to be promoted. From his perspective, the capital market should not be understood solely as a source of funding or as a processor of long-term savings, but also as a space where development banks can transfer risks, reduce concentrations, and strengthen the sustainability of their operations.

Development finance institutions face the challenge of financing longer-term operations without relying exclusively on traditional deposits. Diversifying funding sources is a necessary condition for expanding the participation of public development banks in lending for investment, infrastructure, and productive sectors.

New Digitalization and Innovation Initiatives in Caribbean Development Banking

Moderated by Lavern McFarlane, Chief Economist of the CARICOM Development Fund, the panel examined how digital transformation, artificial intelligence (AI), climate finance, and data-driven decision-making can strengthen institutional resilience and accelerate technological modernization across the region.

In two years, DFC grew its portfolio from approximately US$111 million to nearly US$180 million, with around 65% directed toward the productive sector and a significant portion linked to agriculture. Following the pandemic, delinquency rates had reached levels close to 26%, compared to a prudential benchmark of 15%.

DIGITAL TRANSFORMATION DRIVEN BY INSTITUTIONAL CULTURE

The session opened by addressing digital transformation and institutional innovation as strategic priorities for Caribbean development banking. Henry N. Anderson, CEO of the Development Finance Corporation (DFC) of Belize, noted that modernization processes should not begin by asking which software to acquire, but rather how to build a people-centered culture. From this perspective, a development bank must build internal trust, recognize the knowledge and expertise of its teams, and establish an execution discipline capable of turning ideas into results. In this regard, he highlighted the concept of finitiative, understood as a combination of finish and initiative, to emphasize that innovation is not only about formulating proposals, but also about implementing, measuring, and sustaining them.

DFC's recent experience illustrated this approach. Within two years, the institution expanded its loan portfolio from approximately US$111 million to nearly US$180 million, with about 65% directed to productive sectors, particularly agriculture. Following the pandemic, non-performing loans reached around 26%, well above the prudential benchmark of 15%, prompting the institution to focus on four strategic pillars: portfolio growth, asset quality improvement, profitability, and stronger governance. As a result, DFC achieved four consecutive years of profitability.

This process was also linked to DFC's accreditation with the Green Climate

Fund (GCF), viewed as a pathway to institutional strengthening, requiring higher standards of governance, compliance, environmental and social management, and cybersecurity. Under this approach, DFC recognized that innovation requires learning from failure, leading to a transformation centered on people, updated policies, redesigned workflows, and technology aligned with its development mandate. As part of this process, the institution implemented a no-code platform with AI capabilities to integrate lending, environmental and social management, and results monitoring, with support from the Inter-American Development Bank (IDB) and Taiwan's International Cooperation and Development Fund (ICDF).

Alberto Guerrero, representing Creatio, complemented DFC's experience by emphasizing that technology should adapt to an institution's mandate rather than forcing institutions to adjust their mission to rigid technological solutions. He explained that the platform is built on three pillars: no-code process configuration, a unified data model, and native AI. However, he stressed that even a flexible platform is insufficient without strong institutional ownership. Accordingly, implementation follows a center-of-excellence approach supported by agile collaboration among loan officers, environmental and social specialists, accounting teams, and risk managers. The platform serves as an enabler, but transformation ultimately belongs to the institution.

Complementing this perspective, Liza Niño, PDS Latam Client & Market Integration Head at Citi Latin America, addressed digital transformation through the strategic use of technological solutions in development finance institutions. She identified four capabilities with proven value: data analytics, application programming interfaces (APIs), AI, and blockchain. Beyond the technologies themselves, she highlighted practical applications such as real-time treasury management, financial forecasting, risk management and controls, anomaly detection, process automation, and enhanced visibility over fraud and cybersecurity threats. In her view, digital transformation does not replace human judgment; rather, it enhances it when institutions have well-governed data, clear processes, effective controls, and a technology architecture aligned with their development mission.

BLENDED FINANCE AND PRODUCTIVE INCLUSION

Sandy Cameron, President of the Suriname National Development Bank, highlighted the role of development banking in a small economy, where it is essential for financing SMEs and productive sectors that commercial banks often avoid because of risk, logistical costs, or limited scale. She emphasized support for sectors such as agriculture and tourism, which are highly vulnerable to climate change and affected by floods, inventory losses, and crop damage.

She also presented the bank's US$10 million financing package from the IDB, secured after a three-year institutional strengthening process covering risk management, compliance, technology, environmental, social and gender policies, and project pipeline development. The operation combines GCF resources, guarantees, technical assistance, and support for women-led businesses and Indigenous communities, underscoring that financing must be complemented by advisory services and solutions tailored to entrepreneurs' actual needs.

A CARIBBEAN AGENDA FOR RESILIENCE AND INNOVATION

In his concluding remarks, Lavern McFarlane emphasized that digitalization, AI, and climate finance should be viewed as tools serving a broader agenda of resilience, inclusion, and development. The experiences presented show that Caribbean development banks cannot limit themselves to adopting technology or accessing new funding. Instead, they must strengthen institutional capabilities, improve governance, use data to measure results, work with partners, and design solutions tailored to the size, mandates, and vulnerabilities of their economies. The combination of institutional culture, appropriate technology, blended finance, and impact measurement provides a pathway to expand the contribution to the region's sustainable development.

Financial innovation, sustainable investment with inclusion

Jessica Jacob, CEO of SURECO & Partners, led the special session “Financial innovation, sustainable investment with climate inclusion,” which addressed the role of development banking, multilateral organizations, and innovative financial instruments in mobilizing resources for climate action in Latin America and the Caribbean.

Laurent Mélère: Latin America and the Caribbean are increasingly suffering the consequences of climate change, while funding levels have yet to reach the scale required to contribute sufficiently to the climate response.

As a general framework, it was highlighted that geopolitical conditions have negatively affected climate investment in Latin America and the Caribbean, as well as in other regions. However, it is worth noting that in November 2025, at the Conference of the Parties held in Belém, Brazil, the Baku–Belém Roadmap was agreed upon, with the objective of mobilizing US$1.3 trillion in climate finance by 2035. Ambition for adaptation projects was also tripled, and the Tropical Forest Forever Facility was established, an instrument that could mobilize significant resources for the region. From this perspective, development finance institutions need to understand what real and current opportunities exist to access climate finance, what mechanisms are available, and how they can connect with international, regional, public, and private resources.

For his part, **Laurent Mélère, Senior Task Team Leader at the French Development Agency (AFD)**, noted that Latin America and the Caribbean are increasingly suffering the consequences of climate change, while financing levels still do not reach the scale required to sufficiently address the climate response. In this regard, he highlighted the role of blended finance, emphasizing that it enables the mobilization of concessional resources to finance innovative projects that still lack sufficient profitability for private markets or that could not be implemented without concessional support.

In the same vein, **Luis Calle, Senior Executive at the Directorate of Mobilization and Financial Partnerships of the Development Bank of Latin America and the Caribbean (CAF)**, stated that resource mobilization is essential given the region’s extensive needs. In terms of co-financing, he emphasized that a priority is to close gaps related to regulatory differences and environmental and social safeguards, in order to facilitate project structuring and implementation.

This can be achieved through financial instruments such as thematic credit lines, guarantees, and thematic bonds.

These mechanisms allow better conditions to be passed on to end clients and countries, both in public and private operations, with the aim of co-guaranteeing operations in the region and leveraging additional resources. These must be complemented with technical assistance, given that Latin America and the Caribbean has a broad pipeline of projects at the concept stage, many of which do not progress due to a lack of resources for pre-feasibility and feasibility studies. Therefore, technical assistance should not be understood solely as financing, but also as knowledge transfer. This view was supported by **Karla Esquinca, Senior Analyst at Climate Policy Initiative (CPI Global)**, who argued that, given the international context, public resources are increasingly scarce and insufficient to address climate finance gaps. Therefore, they must be used as efficiently as possible.

Dayana Vega, Director for Latin America at the international consulting firm Global Factor, noted that beyond the availability of resources and the diversification of financial mechanisms, funds are increasingly demanding impact criteria, traceability, and data that ensure transparency. In this context, having "green" projects is no longer sufficient. Projects must be accompanied by mechanisms and tools that demonstrate full climate alignment. She mentioned two particularly relevant tools. The first is the framework of the International Financial Reporting Standards Foundation (IFRS Foundation), which promotes an update of environmental and social risk analysis systems under an approach that integrates climate risk from a financial perspective. The second consists of sustainability taxonomies, which function as classification catalogs with criteria to define what constitutes a sustainable activity and a sustainable project.

National development banks today have the opportunity to strengthen access to financing and improve criteria for transparency, traceability, and investment rating—all within a development-oriented framework.

For his part, **Javier Manzanares, CEO of the consulting firm Allen Manza**, focused his remarks on carbon markets and the opportunities they may open for national development banks. He noted that, although various companies are working on structuring climate finance, carbon markets are a specific area of interest due to their monetization potential and the role financial institutions can play in them. These markets have evolved and grown, although they have also faced challenges, particularly in the voluntary segment. In terms of scale, mandatory markets, such as emissions trading schemes or cap-and-trade systems, are valued at approximately US$900 billion. In contrast, the voluntary market has fluctuated between periods of crisis and greater dynamism, with an annual size ranging between US$1 billion and US$3 billion, of which approximately one-third is generated in the region.

Therefore, the role of national and multilateral development banks is not limited to project financing. To reach scales comparable to those seen in other regions, such as Europe, it is necessary to create a climate finance ecosystem. This implies that national development banks should not only act as financiers but also help build the market conditions needed for climate monetization.

Several countries have already adopted climate change laws and are advancing in regulatory frameworks. However, ministerial capacity alone is not sufficient. Infrastructure is required to enable the growth and monetization of carbon markets. This includes robust monitoring, reporting, and verification (MRV) systems, as well as digital MRV tools. It also requires carbon credit or bond registry systems with sufficient interoperability to communicate with other registries and even other countries. The private sector will not develop all of this architecture on its own. The creation of market infrastructure is a function that national development banks can and should assume, in addition to promoting the financing of projects that generate emission reductions or removals.

National development banks today have the opportunity to strengthen access to finance, improve transparency, traceability, and investment rating criteria, and do so under a development-oriented approach. Latin America and the Caribbean faces a unique situation due to its social vulnerability, ecological biodiversity, and exposure to climate threats. By incorporating the climate dimension, these factors become a systemic risk for the economy. The wave of regulation is not accidental; it is a response to the region's context. Development banks have the opportunity to act on these risks, and the process is moving in the right direction.

Governance of Digital Transformation yand the Use of AI in Development Banking

Ignacio Tellería, expert in digital transformation and AI for scaling operations and growth strategy at the international consulting firm Ubimia, provides in this article—based on a special presentation at the ALIDE Assembly—some insights on how to implement AI in development banking under governance, ethics, and risk management criteria. He emphasized that the challenge is no longer to understand what this tool is, but to define where, how, and under what conditions it can generate value without creating legal, regulatory, or operational risks.

The discussion on AI in banking is no longer centered on understanding the technology itself, but on identifying where, how, and under what conditions it can generate value. In Latin America and the Caribbean, this debate is especially relevant due to high levels of informality and the importance of MSMEs, which account for nearly 90% of the business fabric. In this context, AI and hyperautomation can support information processing, the use of alternative data, pattern identification, and better decision-making, provided they respond to specific needs.

AI governance should not be understood as an end in itself or as an additional burden. It should be viewed as a means to achieve better institutional outcomes.

AI has evolved from systems that process information and generate responses into tools capable of incorporating specific knowledge and executing tasks under defined rules. This creates operational opportunities, but also requires clear limits, institutional responsibility, and human oversight.

GOVERNANCE AS A CONDITION FOR GENERATING VALUE

Tellería's key message was that AI is among the most powerful technologies available to the banking sector, but its implementation without proper governance can create significant risks. The difference between an application that improves productivity and one that generates conflicts with clients, regulatory breaches, or reputational risks does not depend solely on the tool, but also on the implementation map, the path adopted, and each institution's governance capacity.

From this perspective, AI governance is not an end, nor an additional burden. It is a means to improve institutional performance by supporting healthier portfolios, higher productivity, fewer operational frictions, better-informed decisions, and stronger alignment with strategic objectives. Before implementing solutions, institutions must conduct a diagnosis that allows them to understand their actual situation, data, processes, systems, capabilities, risks, and priorities.

Tellería also emphasized the importance of effective change management. AI should be presented to protect and strengthen work, not as an automatic threat to teams. A well-communicated implementation makes it possible to explain that the purpose is not to replace people indiscriminately, but to optimize processes, improve results, and prepare the organization to sustain its future relevance. In this regard, AI should be approached as an alliance between technology, leadership, and teams.

AN ORDERED PATHWAY FOR IMPLEMENTING AI

Implementation requires a sequence adapted to each institution's reality. Two institutions in the same market may need different paths, depending on whether they work with spreadsheets, contracted software, scattered data, manual processes, or more developed internal capabilities. For this reason, the first step is an institutional diagnosis. Without diagnosis, technological adoption risks responding to an external trend rather than to a concrete need.

The second step is prioritization. Not all processes have the same potential impact, and not all areas are prepared to absorb technology at the same pace. The selection of use cases must be linked to productivity, portfolio quality, risk management, compliance, and business results.

The third step is implementation, which should include an objective assessment of providers and solutions, selecting the one that best fits the strategic map and the team's adoption capacity.

The fourth step is monitoring. Implementation should include strategic impact indicators from the outset. In many cases, institutions still lack adequate metrics to measure the effects of AI and hyperautomation. Therefore, monitoring must be part of the design, so the institution can assess whether the technology reduces processing times, improves controls, strengthens processes, or contributes to more consistent decisions.

BARRIERS, RISKS, AND HUMAN DECISIONS

Among the main barriers to implementing AI, Tellería mentioned the lack of data, budget constraints, the availability of specialized talent, control over the information used by models, and adoption by teams. However, he clarified that the absence of traditional data does not prevent progress, since alternatives exist, such as alternative data, learning models, and complementary sources. The challenge, therefore, is not only technological but also adaptive, linked to changes in habits, work culture, and analytical criteria.

The session also highlighted the importance of properly managing regulation, data sovereignty, and transparency. In banking, many AI applications may fall between high and limited risk levels, meaning that institutions must protect information, define responsibilities, and understand how decisions are made. In this context, it was emphasized that AI can assist, organize information, and generate recommendations, but it should not replace institutional responsibility or professional judgment in relevant decisions.

AN INSTITUTIONAL AGENDA FOR RESPONSIBLE AI

Given that AI is already available, the main challenge lies in institutions' ability to adopt it with strategic purpose. Its implementation should not be reduced to hiring a tool or using generic platforms without clarity on the processes to be improved, the data to be used, the risks to be controlled, and the expected impact.

For development banking, AI governance is a necessary condition for digital transformation to produce better results and protect the sustainability of institutional work. Moving forward requires leadership, diagnosis, prioritization, expert support, internal capabilities, and a culture open to learning. Under this combination, AI can become an effective tool to expand access to financing, strengthen productivity, improve risk management, and contribute to fulfilling the development mandate of these financial institutions in Latin America and the Caribbean.

The Regulatory Tripod
for a Sustainable Economy

Drawing on the views of Daniel Schydlowsky, Ph.D. in Economics and an expert in banking regulation and development finance, this article examines the challenges facing development finance amid tightening external constraints and growing sustainability requirements.

Development finance is operating in a much more complex environment than in the past. International cooperation has weakened, concessional financing has become scarcer, and private capital now plays a larger role in financing development. While private investment is essential, it follows commercial incentives, seeking profitability and returns in hard currency. That makes Latin America and the Caribbean (LAC) more exposed to external shocks and financial volatility.

These changes make domestic savings more valuable than ever. As external financing becomes more limited and more expensive, the priority is no longer simply to mobilize additional resources but to allocate them more efficiently. The real challenge is to direct capital toward investments that generate the greatest economic, social, and environmental returns.

Markets, however, do not always send the right signals. Many of the costs associated with investment decisions—including pollution, biodiversity loss, natural resource depletion, and social conflict—remain largely invisible in market prices. Yet these externalities have tangible economic consequences that ultimately affect productivity, resilience, and long-term growth.

Daniel Schydlowsky, Ph.D., argues that addressing this market failure requires a regulatory framework built on three complementary pillars: Environmental and Social Risk Management Systems (ESRMS), green taxonomies, and socio-environmental cost-benefit analysis.

The reduction in international cooperation, the lower availability of concessional resources, and the growing reliance on private capital compel Latin America and the Caribbean to rethink how it finances its development.

The first pillar—ESRMS—brings environmental and social risks into financial decision-making. Investment decisions should no longer be based solely on profitability or repayment capacity. They should also consider the potential impact of projects on communities, ecosystems, and natural resources. For these systems to be effective, they must extend across the financial sector. Common standards reduce the risk of a regulatory race to the bottom, in which institutions compete by lowering environmental and social requirements. Financial supervisors can establish these standards, while development banks can accelerate their adoption by promoting methodologies, strengthening institutional capacity, and sharing best practices.

Green taxonomies provide the second pillar. More than classification systems, they offer a practical guide to identifying the activities and technologies that contribute to climate and environmental objectives. They also help speed the adoption of cleaner production methods.

For many firms, however, the transition to sustainable production is constrained not only by financing but also by limited technical knowledge. Development banks are well positioned to bridge this gap by combining finance with technical assistance and by connecting firms with technologies that use energy, water, and other natural resources more efficiently.

The third pillar is socio-environmental cost-benefit analysis, which addresses a simple but fundamental question: which investments create the greatest value for society? The answer cannot rely exclusively on private financial returns. It must also account for costs and benefits that markets fail to price.

The combination of market prices and socio-environmental prices makes it possible to distinguish more clearly which investments should be promoted, which require adjustments, and which should not be financed.

This requires updating the use of shadow prices, a methodology that has long been applied across LAC to evaluate investments from a social perspective. Today, that framework needs to fully incorporate environmental externalities. Carbon emissions, pollution, ecosystem degradation, and climate risks should become integral components of project appraisal. Only then can policymakers compare private returns with long-term social and environmental value.

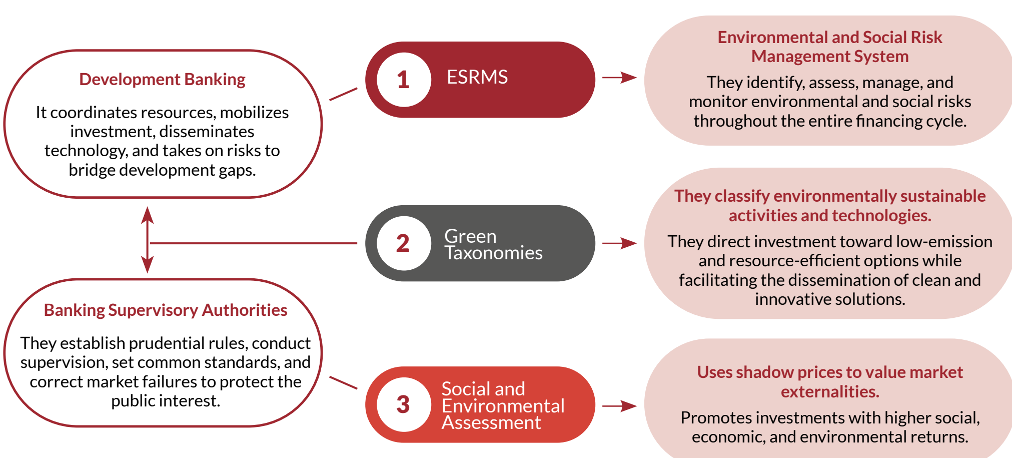
Combining market prices with socio-environmental valuation creates a more complete basis for investment decisions. It helps identify which projects deserve greater support, which require policy adjustments, and which should not move forward. Whenever private incentives diverge from broader social benefits, instruments such as regulation, guarantees, concessional finance, and technical assistance can help narrow the gap.

This is where financial supervisors and development banks become natural partners. Supervisors establish the rules and incentives that shape financial markets, while development banks demonstrate how those principles can be translated into viable investments and scalable financial solutions.

The objective is not to restrict credit but to improve the quality of investment decisions. Better capital allocation strengthens productivity, reduces long-term risks, builds environmental resilience, and expands opportunities for sustainable growth.

As climate pressures intensify and financing constraints become more binding, the combination of ESRMS, green taxonomies, and socio-environmental cost-benefit analysis offers a practical roadmap for improving how capital is allocated. The challenge for the coming decades is not simply to finance more—it is to finance better.

THE REGULATORY TRIPOD FOR A SUSTAINABLE ECONOMY



Source: Prepared by the author based on Schydlowsky (2026).

Multilateral and Bilateral Financial Institutions

Financing Development in Latin America and the Caribbean

Amid growing investment needs, Latin America and the Caribbean require more than financing alone; they need partnerships capable of mobilizing capital, sharing risks, and structuring high-impact investments. Multilateral, bilateral, and national development banks are playing an increasingly important role in driving this transformation.

LAC development banks play a central role: they know the territories, sectors, clients, and risks. International institutions provide funding, guarantees, technical assistance, and standards, as well as the capacity to mobilize private investment.

Latin America and the Caribbean (LAC) need more investment, but they also need better ways to mobilize long-term capital, reduce risk, and channel international finance toward national priorities. Regional, multilateral, and bilateral financial institutions are no longer simply providers of external funding. They increasingly act as financiers, arrangers, guarantors, co-investors, and strategic partners of national development banks. Alongside traditional lending, instruments such as guarantees, co-financing, and blended finance are playing a growing role by mobilizing concessional resources for innovative projects and investments with strong social and environmental benefits that remain beyond the reach of private markets.

The relationship between these institutions and the region has also changed. Development finance is no longer about transferring resources from one institution to another. Instead, it is increasingly based on partnerships that combine international capital with local knowledge and implementation capacity. National development banks understand domestic markets, sectors, clients, and risks. International institutions complement these strengths with financing, guarantees, technical assistance, global standards, and the ability to crowd in private investment.

Germany's KfW illustrates this evolution. Supported by Germany's AAA sovereign credit rating and strong access to international capital markets, the bank provides long-term financing for development and sustainability projects on highly favorable terms. In LAC, it works closely with governments and public financial institutions through loans, guarantees, impact investment funds, and project finance. One example is Brazil's Primeiro Passo program, which combines productive microfinance with business development services, particularly for women entrepreneurs. KfW contributes more than US$250 million through refinancing, budgetary and market-based resources, and a guarantee fund. The initiative is expected to support around 120,000 microcredit operations and nearly 50,000 guarantees.

The Eco Business Fund offers another example of how public finance can unlock private investment. Established in 2014 by KfW and Conservation International, with participation from the Inter-American Development Bank (IDB), the fund invests in sustainable agriculture, forestry, aquaculture, ecotourism, and biodiversity-related activities. With assets approaching US$1 billion and cumulative investments of roughly US$1.8 billion, it demonstrates how public resources can absorb part of the risk and attract private capital into environmentally sustainable sectors.

Spain is following a similar path through the Spanish Sustainable Development Fund (FEDES), managed by AECID. The fund combines guarantees, results-based lending, and mechanisms to mobilize private investment. Latin America and the Caribbean is one of its priority regions, with operations focused on the green transition, financial inclusion, digitalization, MSME development, and productive transformation. Much of this work is carried out in partnership with national development banks and local financial institutions.

Together, KfW and FEDES reflect a broader shift in bilateral development finance. Rather than acting solely as lenders, bilateral institutions

increasingly serve as catalysts that help crowd private capital into sectors where markets alone are often unwilling to invest. Blended finance has become one of their most important tools, making climate projects and other high-impact investments financially viable while narrowing persistent financing gaps.

Italy's Cassa Depositi e Prestiti (CDP) illustrates a similar transformation. Since 2019, it has mobilized more than US$5.7 billion in international cooperation investments, manages approximately US$10.4 billion in public resources, and oversees instruments such as the Italian Climate Fund. In LAC, CDP has partnered with CAF, FONPLATA, the Caribbean Development Bank, and national development banks to finance projects in water, sanitation, energy, urban mobility, and climate resilience. Its strategy has gradually shifted from syndicating loans to originating projects, placing greater emphasis on technical assistance and upstream project preparation. By working alongside national development banks from the earliest stages, CDP helps build a stronger pipeline of bankable projects in areas such as clean energy, water, digitalization, agricultural value chains, and private sector development.

New development partners are also expanding their presence in the region. Although the Asian Infrastructure Investment Bank (AIIB) was created to finance infrastructure in Asia, it now has 111 approved members and a committed portfolio approaching US$60 billion. Its growing interest in LAC reflects common priorities, including sustainable infrastructure, regional connectivity, energy, water, transport, sustainable cities, and digital infrastructure. While its operations in the region remain relatively limited, AIIB has shown increasing interest in partnering with regional institutions to mobilize private capital and finance sustainable infrastructure.

India Exim Bank brings a complementary commercial and geoeconomic perspective. As the Government of India's official export credit agency, it promotes foreign trade, outward investment, and the international expansion of Indian firms. The bank operates through concessional government-to-government credit lines as well as commercial financing arrangements. To date, it has extended more than 300 lines of credit across 63 countries, totaling nearly US$27 billion, including operations in LAC. Its portfolio covers transport, energy, power transmission, manufacturing, agriculture, and social infrastructure. In addition to providing guarantees for cross-border trade and investment, India Exim Bank co-finances projects with multilateral development banks and other international financial institutions, strengthening economic ties between India and LAC.

The Multilateral Investment Guarantee Agency (MIGA), part of the World Bank Group, plays a different but equally important role by reducing risks that discourage private investment. Its guarantees enable financial institutions to release regulatory capital, reduce risk-weighted assets, and extend financing on better terms in terms of maturity, pricing, and lending capacity. Between 2020 and 2026, MIGA issued nearly US$17 billion in guarantees for operations in LAC. For development banks, these instruments strengthen both sides of the balance sheet: they facilitate access to funding while expanding lending for social, productive, and trade-related investments.

Since 2023, Afreximbank has expanded into the Caribbean by admitting 13 of the 15 CARICOM member states and launching programs focused on trade, climate resilience, SMEs, the creative economy, and infrastructure. Among its flagship operations is participation in an energy project in Suriname that mobilized approximately US$1.5 billion, alongside initiatives to strengthen climate resilience and productive finance across the Caribbean. These efforts illustrate how emerging development institutions can complement traditional sources of finance while broadening investment opportunities throughout the region.

The message is clear. Latin America and the Caribbean need not only more financing but also stronger financial partnerships. Bilateral, multilateral, and regional institutions contribute funding, guarantees, risk-sharing instruments, technical expertise, and access to global capital markets. National development banks bring local knowledge, implementation capacity, and close relationships with firms and communities. Together, they can transform international capital into investments that respond to national development priorities.

Instruments such as blended finance, guarantees, and co-investment schemes are enabling the financing of projects that would be difficult to develop using only market resources, particularly in areas related to climate, resilient infrastructure, and financial inclusion.

Closing the region's investment gap will require combining public, private, and concessional finance. Blended finance, guarantees, and co-investment structures are already expanding the range of projects that can move forward, particularly in climate action, resilient infrastructure, financial inclusion, and productive development.

The emerging development finance architecture is likely to be less hierarchical and more collaborative. Rather than relying on a single dominant financier, it will increasingly depend on networks of institutions that co-invest, share risks, and develop solutions tailored to local needs. Within this evolving ecosystem, LAC can strengthen its position by reinforcing national development banks, improving project preparation, and making better use of a broader mix of loans, guarantees, technical assistance, and private capital. The challenge is no longer simply to attract external financing, but to transform it into sustainable, resilient, and inclusive development.