



The Joint Summit Working Group

Collaborating to Implement the Inter-American and Summits Agendas

Responding to the Economic Crisis

In March 2010, the **Inter-American Development Bank (IDB)** Members agreed to approve a 7 billion dollar increase in new resources into the Bank, which will allow the IDB to double its pre-crisis lending program.

Through the timely provision of specialized information, policy recommendations, and documents like *“The reactions of the Governments to the international crisis: an overview of policy measures”*, the United Nations **Economic Commission for Latin America and the Caribbean (ECLAC)** has raised awareness and understanding of the different policy options available to deal with the crisis.

To help Latin American governments fight the effects of increasingly deteriorating economic conditions, **the World Bank** rapidly responded to the region’s demands. In response to the global crisis, the Bank dramatically increased its support to Latin America and the Caribbean during its fiscal year ending June 2009. The Bank approved US\$14 billion in new commitments, almost tripling its regular lending volume, with \$13.8 billion in loans from its International Bank for Reconstruction and Development (IBRD) and \$203 million in International Development Association (IDA) commitments. Nearly US\$3 billion went to expand CCT programs. A similar volume is expected to be delivered during fiscal year 2010.

Following the Summit of the Americas in Port of Spain, and spurred by discussions at the Summit, the World Bank Group (IBRD, IFC and MIGA), **the Inter-American Development Bank and the Inter-American Investment Corporation (IDB/IIC), the Corporacion Andina de Fomento (CAF), the Caribbean Development Bank (CBD) and the Central American Bank for Economic Integration (CABEI)** announced that they would work together to identify partnerships to increase their collective impact and explore new opportunities to protect the economic and social gains achieved in the region during the last five years. They also announced that they would increase their support to the region by providing as much as \$90 billion (out of which the World Bank will provide \$35.6 billion) during the next two years in a joint effort to spur economic growth by coordinating their crisis response initiatives.

During fiscal year 2009, Brazil, Mexico, and Argentina were the largest borrowers, while the environment, economic policy, and social protection sectors received the largest amount of funding. Support to the region during fiscal 2009 represented 42 percent of total IBRD lending and nearly a third of total Bank IBRD/IDA lending.



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Deferred Drawdown Option (DDO), a type of committed credit line, was instrumental for several countries. Nine DDOs were approved for seven countries in fiscal 2009—Colombia, Costa Rica, El Salvador, Guatemala, Mexico, Peru, and Uruguay—and provided an immediate source of liquidity. The new financing instrument reflects the Bank's commitment to assisting governments in providing positive market signals by creating a preventive source of financing.

In accordance to the importance of the MSME sector - as a fundamental instrument for the socioeconomic development of the region- and the role played by **CABEI** in the support for the sector – CABEI is the main source of funds for the MSME sector in the region (130 financial intermediaries), CABEI has developed the Anti-crisis Plan for MSMEs considering the following points:

- The international economic crisis – there has been a reduction in the supply of foreign lending to MSMEs. This directly affects those IFIs that have been working for the sector, especially those that are not regulated.
- Reduction in loan portfolio – as a consequence of capital restraints, CABEI has seen a reduction in its loan portfolio in the sector, hence providing fewer resources for the support of additional jobs.

CABEI will launch its Anticrisis Plan for MSME:

- CABEI expects to allocate US\$ 132.9 million during the year 2010. It is important to mention that on average CABEI has disbursed over US\$ 200 million annually to the MSME sector.
- To complement the allocation of resources, CABEI will also allocate US\$150 thousand from its Technical and Financial Cooperation Program for the MSME sector, to train, assess and accompany IFIs during this time of economic crisis through a Technical Assistance Program. Specifically some of the topics covered will include Integral Risk Management, and general guidance under regulatory processes.

The Microfinance Growth Fund represents a vehicle for CABEI to counteract the actual crisis and continue providing valuable economic support to the MSME sector in Central America. In this sense the Fund could be used as:

- A source of funds for CABEI's current programs which direct resources to MSMEs in different economic sectors.



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- A source of funds for CABEL's Program of Subordinated Debt for Microfinance Companies. This program was designed to strengthen microfinance companies and thus increase the provision of financial services to the region's low income population, eventually also helping to generate employment and reduce poverty.

In the framework of the economic crisis, many international financial initiatives from the **ILO** have been generated, including the adoption of the "World Employment Pact" and the creation of a Latin America and the Caribbean Crisis Observatory. This Observatory has helped identify programs and policies applied to several countries, by giving a response based on decent work. Throughout 2009, Argentina, Bahamas, Brasil, Canadá, Chile, Colombia, Costa Rica, México, Paraguay, Perú y Uruguay were selected as examples. Those countries documented themselves in English and Spanish in a series of twenty "ILO notes on the crisis" that summarize the main features of these policies and highlight the contribution of the countries to facing the crisis. A bulletin on the labor situation, developed jointly with **ECLAC** and ILO, has documented both the impact of the crisis in the regional labor market as well as the major trends in policy responses, identifying good practices which will also serve in many cases to promote an economic recovery using decent work.

Also, a large number of political interventions have been implemented in some countries as a part of the cooperation with ILO. In the Southern Cone office, a regional meeting on "International Crisis and Policies for MSMEs" has been organized. In the Caribbean office a study on Youth Employment has been carried out and covered aspects such as policies of training and coherence between policies and programs and the role of organizations of employers and workers on the road to improve opportunities for youth employment in OECS. In Brazil, a Subcommittee to develop a National Agenda for Decent Work of Young People in the framework of the Inter-ministerial Executive Committee (June 2009) has been created, and a diagnostic study on the situation of Brazilian youth, entitled "Decent Work and Youth-Brazil has been developed." Central American countries have been developing a series of Joint Programs associated with the theme of Youth Employment (Costa Rica, Honduras and Nicaragua), while in the Dominican Republic it is worth mentioning the program on Youth and Employment of the Secretariat of State for Labor. In Cuba, ILO provides assistance in human resource development in the tourism sector, through the system of Measurement and Enhancement of Productivity (SIMAMPRO).