

Basic Information			
Approval Year	: 2017	Region	: REG
Team Leader	: Nuguer, Victoria	Country	: Regional
Taxonomy	: Client Support	Department	: RES
Fund	: ORC-RIN,RIN	Sector	: FM - Financial Regulation And Supervision
Approval Number	: ATN/OC-16511-RG	Sub Sector	: REG
Execution Agency	: US-IDB		
Execution Status	: Active		
Operation Objective	The main objective of this proposal is to continue promoting regional cooperation on policymaking among central banks in South America, which is supportive of broader integration efforts in the region. Specifically, this TC will support the creation of three regional public goods: (i) maintenance of a dialogue to strengthen coordination among our member central banks. This includes preparing coordinated annual work programs, responding to both demand-driven requests by the Group members and more supply-driven knowledge-based in-house research products, and exchanging views and information via periodic policy dialogue; (ii) promotion of analytical capacity in policy research by stimulating the in-house research capacity of central banks and leveraging it with cross-fertilization and international experts. This will include preparing policy research papers and policy seminars and disseminating their results; and (iii) capacity building on technical matters through training and workshops and the support of bilateral technical assistance among the Group members.		
Financial Information			
RG-T3103			
ATN/OC-16511-RG:ORC	Original	Current	% of Current Amount Financed
Amount Financed	\$800,000.00	\$800,000.00	
Disbursed Amount	N/A	\$706,559.82	88.32 %
Commitments not yet disbursed Amount	N/A	\$38,137.62	4.77 %
Available Amount	N/A	\$55,302.56	6.91 %
Final Disbursement Date	Feb 28, 2023		
Status Update			

In 2002, the FSDNetwork’s activities took place in a hybrid and virtual format. These included: seven policy dialogues (in the form of conferences and workshops), seven training courses, two network meetings, a capital flows dataset, and six working papers (to be published in 2023). ACTIVITIES: RESEARCH. As part of the "2022 Call for Proposals", the FSD network selected one research project per participating Central Bank. For each project, one academic advisor provided guidance. The following research will be published as IDB Working Papers in 2023: "The value of clean water: evidence from an environmental disaster",with David Keiser (University of Massachussets) as mentor. "Institutional Investors and Government Bonds—A Demand System Approach",with Victor Aguirregarabia (University of Toronto) as mentor. "A Global Shock with Idiosyncratic Pains: State-Dependent Debt Limits for LATAM during the COVID-19 pandemic", with Huixin Bi (FED of Kansas City) and Wenyi Shen (Oklahoma State University) as mentors. "Calculation methodology of monetary species in circulation and monetary aggregates (M1, M2, multipliers) in a dollarized economy", with Manuel González-Astudillo (Federal Reserve Board) as mentor. "Financial dollarization and monetary policy in a small open economy",with Roberto Chang (Rutgers University) as mentor. "The impact of REACTIVA on banks’ risk taking", with José Luis Peydró (UPF, CREI) as mentor. POLICY DIALOGUES. The FSD organized seven policy dialogues in the form of conferences and workshops: Conferences and workshops: July 2022. The FSD, the Central Bank of Peru, and the Reinventing Bretton Woods Committee co-organized in a virtual format the 14th Annual Conference titled "Coping with Current Economic Challenges for Central Banking". Linkto the agenda. July 2022. The FSD and the Central Bank of Chile, co-organized the conference "Central Bank Digital Currencies: Implications and Challenges for Financial Stability".The agenda may be found in the link. September 2022. The FSD and the Central Bank of Chile, co-organized the workshop "Industrial Organization in Financial Markets".Linkto the agenda. October 2022. The FSD and the Central Bank of Paraguay (BCP) co-organized the "Second Economics Conference of the BCP". Linkto the agenda. November 2022. The FSD and the Central Bank of Chile, co-organized the workshop "Household Finance and Household Surveys".Linkto the agenda. November 2022. The FSD, the Central Bank of Uruguay, and the Universidad Torcuato di Tella, co-organized and sponsored the conference "XXIV workshop in international economics and finance".Linkto the agenda. December 2022. The FSD, the Central Bank of Uruguay, and the Research Institute for Development, Growth, and Economics (RIDGE), co-organized and sponsoredworkshops from the RIDGE conference. The workshops included: financial stability, industrial organization, international macroeconomics, and international trade. Linkto the agenda. CAPACITY BUILDING. The FSD co-sponsored seven online trainings courses: May 2022. The FSD and the Central Bank of Brazil (CBB) co-sponsored the course "Iris Toolbox – Model Based Macroeconomic Projections". The course was dictated by Jaromir Benes (OG Research). 39 students enrolled in the course. August 2022. The FSD and the Central Bank of Brazil co-sponsored the course "Supervised Machine Learning". The course was dictated by Marcelo Fernandes and Eduardo Mendes (Kogno Economics).46 students enrolled in the course. August 2022. The FSD and the Central Bank of Colombia, co-sponsored the course "Quantitative Methods in Macroeconomics with Julia". The training was dictated by Prof. Pablo Guerron (Boston College). 39 students enrolled in the course. September 2022. The FSD and the Central Bank of Chile, co-sponsored the course "Industrial Organization Approaches in Financial Economics Applications". The course was dictated by Prof. Ali Hortacsu (University of Chicago). 21 students enrolled in the course. September 2022. The FSD and the Central Bank of Brazil co-sponsored the course "Deep Learning", dictated by Marcelo Fernandes and Eduardo Mendes (Kogno Economics). 41 students enrolled in the course. November 2022. The FSD and the Central Bank of Colombia co-sponsored the course "Advanced Numerical Methods in Macroeconomics", dictated by Galo Nuño (Bank of Spain). 42 students enrolled in the course. November 2022. The FSD and the Central Bank of Peru co-sponsored the course "Empirical Tools and Applications in Banking and Microfinance", which was dictated by Prof. José Luis Peydró (ICREA-UPF and BSE). 33 students enrolled in the course. DATABASE ON CAPITAL FLOWS The database on capital flows is a joint effort between the Central BanksofColombia, Brazil, Chile, and Peru. Each country collects monthly data on portfolio investment items such as net incurrence of liabilities in the domestic market, disaggregated by instruments and deposits that non-residents hold in financial institutions. The country specific datasets are comprised in one database and includes monthly data from January 2010 and is available to Network members. The FSD updates the information every three months. NETWORK MEETINGS. Two Network meetings took place with 18 focal points from the Central Banks of Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay: The first meeting was held in a virtual format on April 25th. Members discussed the 2022 activity program and the Network’s intention to apply to the 2023 Regional Public Goods initiative. The second meeting was held in a hybrid format on October 12th at IDB’s headquarters and, additional to the participation of 18 focal points, 5 Chief Economists of Central Banks joined the meeting. Among the topics discussed, the external auditor presented the overall results of the Network and the main lessons learned. Central Banks commented on their intention to continue collaborating in the future with the members and the IDB.

**Advance in the Achievement of Outcome and Outputs**

**Advance in the Achievement of Outcome**

**1 . Strengthened policy dialogue and cooperation among central banks in South America**

All our activities were attended by staff at different levels of the central banks in the region, not only young economists but also high level policy makers. The friendly environment together with a timely disucssion of the topics promoted the interactions among them and the sharing of their country specific experiencies, creating formal, and informal collaboration among them. These discussions encouraged more informed policy making in the region.

**Advances in Execution**

1. Strengthen coordination among South American Central Banks

Component Cost: \$155,683

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
1.1 Conferences organized	RIN	Conferences (#)	0	2018	RIDGE-FSD Conference agendas and presentations will be submitted to the Steering Committee	Regional Integration	Physical			
							2017	0	0	0
							2018	1	0	1
							2019	1	0	4
							2020	1	2	1
							2021	0	1	1
							2022	0	4	5
							2023	0	0	
							EOP 2023	3	12	12
							Financial			
							2017	0	0	0
							2018	10000	5200	5200
							2019	100000	83915.1	83915.1
							2020	10000	7400	7400
							2021	20000	14668.01	14668.01
							2022	50000	44500	44500
							2023	0	0	
							EOP 2023	190000	155683.11	155683.11

**Advances In Execution:** The second edition of the Economics Conference with the Central Bank of Paraguay; one conference with the Central Bank of Peru (on Coping with Current Economic Challenges for Central Banking); and two conferences with the Central Bank of Uruguay (with the Research Institute for Development, Growth, and Economics and the Univerdidad Torcuato di Tella).



Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.1 <sup>s</sup> Working Papers prepared	BPR (RIN)	Papers (#)	0	2018	Working papers presented at the Steering Committee	Regional Integration	Physical			
							2017	0	0	0
							2018	0	0	8
							2019	0	0	4
							2020	20	12	3
							2021	0	0	0
							2022	0	6	6
							2023	0	0	
							EOP 2023	20	21	21
							Financial			
							2017	0	0	0
							2018	30000	28000	28000
							2019	0	0	0
							2020	40000	40550	40550
							2021	0	0	0
							2022	60000	57500	57500
							2023	0	0	
							EOP 2023	130000	126050	126050

**Advances In Execution:** Central Bank of Brazil: "The value of clean water: evidence from an environmental disaster". In November 2015, the rupture of a mining tailing dam in the municipality of Mariana led to a record disposal of toxic residuals in southeast Brazil, which left behind ecological and economic damage in the Doce river basin. The paper quantifies the negative externalities to firms' supply chains and individuals' consumption in riverside municipalities.

Central Bank of Chile: "Institutional Investors and Government Bonds—A Demand System Approach". This paper estimates an equilibrium demand-based sovereign model linking institutional holdings with bond characteristics. The authors document heterogeneous sensitivities to different relevant factors across investors, particularly for yields and time to maturity. The authors document a decreasing impact of idiosyncratic demand shocks over yields during this period, mostly due to the decreasing participation of pension funds in the sovereign bond market.

Central Bank of Colombia: "A Global Shock with Idiosyncratic Pains: State-Dependent Debt Limits for LATAM during the COVID-19 pandemic". This paper develops a theoretical framework with several characteristics that influence fiscal sustainability. It features three mechanisms and analyze how these can affect each other and the fiscal performance. The model considers public investment and capital, informality, and global liquidity fluctuations. A high informality rate can erode the tax base enough to drain the fiscal benefit of expanding public investment.

Central Bank of Ecuador: "Calculation methodology of monetary species in circulation and monetary aggregates (M1, M2, multipliers), in a dollarized economy – the case of Ecuador". This document proposes a recalibration of the estimates of the currency in circulation in Ecuador based on a state-space model in which the liquidity preference coefficient, defined as the ratio between currency in circulation and total deposits, will have a decomposition between cycles and trend by means of a set of difference equations. The project arises from the importance of improving the current methodology.

Central Bank of Paraguay: "Financial dollarization and monetary policy in a small open economy". The project aims to study financial dollarization and monetary policy in small open economies. It aims to provide evidence on the impact of financial dollarization on the effectiveness of monetary policy in stabilizing output and inflation. The authors develop a general equilibrium framework for a small open economy where financial dollarization arises endogenously as an insurance agreement.

Central Bank of Peru: "The impact of REACTIVA on banks' risk taking". This paper analyzes empirically the impact on the credit market and the associated real effects of REACTIVA, a Peruvian public credit guaranteed program oriented to avoid a severe reduction on the economic activity and the credit market. Results suggest that REACTIVA increases bank risk of the non-REACTIVA credit portfolio as well as it has a positive impact on the real economy – firm employment –, both at the intensive and extensive margins.

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.2 <sup>s</sup> Workshops organized	BPR (RIN)	Workshops (#)	0	2018	Workshop presentations and video recorded (when available) presented at the Steering Committee	Regional Integration	Physical			
							2017	0	0	0
							2018	0	0	0
							2019	0	0	0
							2020	0	0	0
							2021	0	0	0
							2022	0	0	0
							2023	0	0	
							EOP 2023	0	0	0
							Financial			
							2017	0	0	0
							2018	0	0	0
							2019	0	0	0
							2020	0	0	0
							2021	0	0	0
							2022	0	0	0
							2023	0	0	
							EOP 2023	0	0	0

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
3.1 <sup>a</sup> Training workshops delivered	BPR (RIN)	Workshops (#)	0	2018	Training presentations (or Back to Office Report) presented at the Steering Committee	Regional Integration	Physical			
							2017	0	0	0
							2018	0	0	2
							2019	0	0	2
							2020	20	2	3
							2021	2	0	6
							2022	0	7	12
							2023	0	0	
							EOP 2023	22	25	25
							Financial			
							2017	0	0	0
							2018	15000	10953.01	10953.01
							2019	40000	32955.37	32955.37
							2020	15000	10000	10000
							2021	40000	36947	36947
							2022	40000	39944	39944
							2023	0	0	
							EOP 2023	150000	130799.38	130799.38
							Advances In Execution: The FSD delivered seven courses from May to November 2022. It delivered three courses with the Central Bank of Brazil (on Model Based Macroeconomic Projections, Machine Learning, and Deep Learning); two with the Central Bank of Colombia (on Quantitative Methods with Julia and Advanced Numerical Methods); one with the Central Bank of Chile (on Industrial Organization); and one with the Central Bank of Peru (on Banking and Macrofinance).			



#### 4. Coordination and ordinary meetings

**Component Cost: \$10,163**

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
4.1 Biannual Meetings	RIN	#	0	2018	Agenda from biannual ordinary meetings with focal points from central banks will be presented to the steering Committee	Regional Integration	Physical			
							2017	0	0	0
							2018	2	0	2
							2019	2	0	2
							2020	2	2	2
							2021	0	2	2
							2022	0	2	2
							2023	0	0	
							EOP 2023	6	10	10
							Financial			
							2017	0	0	0
							2018	11000	10163	10163
							2019	0	0	0
							2020	0	0	0
							2021	0	0	0
							2022	0	0	0
							2023	0	0	
							EOP 2023	11000	10163	10163

**Advances In Execution:** The FSD Secretariat organized the 13th and 14th Network Meetings April 25th, 2022. October 12th, 2022.