

This is a valuable work on a subject of great interest to Latin America: development of the financial system. A strong, secure financial system not only prevents costly crises, but also plays a central role in promoting sustained growth. This book focuses on the causes of banking crises in the region and proposes ways to solve them. It also examines banking performance in the 1990s, changes in the banking structure, and the challenges of developing safe, competitive banking systems. Anyone interested in the development of more crisis-resistant financial systems that can contribute to growth has a lot to learn from this important book. It is a remarkable contribution by the IDB.

**Vittorio Corbo**  
*President, Central Bank of Chile*

This report constitutes a remarkable achievement. It provides a lucid and timely discussion of key issues in banking credit in Latin America by appropriately placing regional developments in the international context. Relevant questions are addressed through state-of-the-art empirical and theoretical analysis, and presented in a most accessible and readable way. The discussion is as rigorous as it is balanced, always well grounded on a wealth of evidence, and policy recommendations are sound and practical. Issues in banking system stability are revisited with fresh eyes, particularly with respect to the links between sudden stops in capital inflows, financial dollarization, and real exchange rate fluctuations. But the analysis goes well beyond that, providing substantial new evidence of key issues in banking structure and credit access for small and medium enterprises. This type of publication is long overdue.

**Augusto de la Torre**  
*Senior Regional Financial Sector Advisor,  
World Bank*

This important study by the IDB focuses on exactly the right issue: why financial systems in the Latin American region are so volatile and unable to allocate credit to its most productive uses. Getting the financial and banking system to work well is a key to development in the region, and this study provides a highly useful framework for thinking about how this can be done.

**Frederic Mishkin**  
*Alfred Lerner Professor of Banking and Financial  
Institutions, Columbia University*

An excellent study of the banking sector in Latin America, *Unlocking Credit* offers important lessons for policymakers interested in reform. Although the report takes a comprehensive look at all the issues, it is far more than a survey. It is written in accessible language, has new and interesting facts, and manages to bring the diverse elements of the analysis together into a broad, compelling message. This book is a must read for anyone interested in financial sector reform or Latin America.

**Raghuram Rajan**  
*Economic Counselor and Director of the Research  
Department, International Monetary Fund*

I commend the economics research team at the Inter-American Development Bank for addressing such an important topic for economic development. Open, competitive and well-supervised banking systems are essential to sustained economic growth. Many countries have experienced banking crises over the years, involving substantial economic cost and disruption. Pursuit of soundness in the banking sector involves the good will and expertise of many players in the private and public sectors, and it requires full analytical support as provided in this book.

**John B. Taylor**  
*Under Secretary for International Affairs  
U.S. Department of the Treasury*



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