

Workshop A:

Getting to Scale: Tools for Greening Financial Institutions



Presentation from Inter-American Development Bank

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INTER-AMERICAN DEVELOPMENT BANK

Win-Win **Green Finance Partnership** options in
Latin America and the Caribbean



**Greening Public Banks to
Achieve Global Change
Ambitions**

Green Bank Design Summit
March 18-19, 2019; Paris, France



IDB is a long-term **development partner of
Latin America and the Caribbean**



IDB and **National Development Banks Partnership** for 50 years



Greening National Development Banks



**Development
Mandate**



Public Sector Entity



Financial Institution



Mobilizer



Project Structurer



Risk Taker



**Incubator and
Aggregator**



Connector



International Partner

IDB Green Finance Innovation with National Development Banks



NDBs are **big players** in LAC

- + of **70** national development banks in **22** countries
- + USD **1.5** trillion in assets (**28%** do the region's GDP)
- Access to an extensive network of operating window



Targeting **critical economic** areas



90% of them
operate in SME
financing



30% finance
agrobusiness and
rural sector



50% finance in
infrastructure and
housing



65% finance
housing/construction



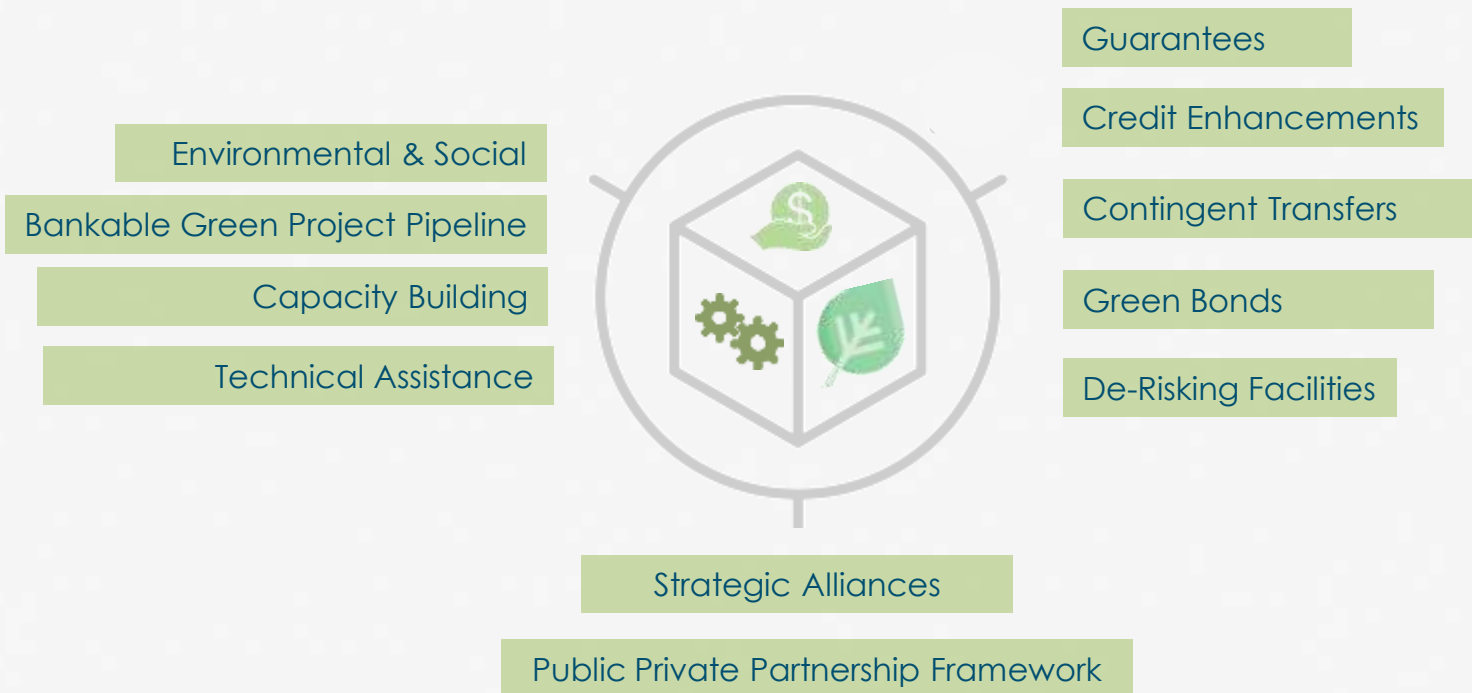
6% of **total green**
finance volume

Inter-American Development Bank

- Largest MDB lender with 60 years experience in LAC
- Over 50-year experience with NDBs, equivalent to 10% of IDB annual lending
- Over 10-year supporting NDB Green Finance
- Largest lender for green finance in LAC (USD 23 billion)
- Mobilized more than USD 2 billion in climate and green finance during last 5 years
- From billion to trillions: strategy to scale up commercial investments and mobilize / blend IDB resources with other partners.

Our Green **Finance** and **Blending** toolbox

Step by step



Examples of Green Finance for **Greening the NDBs**



Supporting Scalable **Project Finance** for NDBs

- REEF: Support, identification and structuring of PPP projects (project finance) – importance to combine financial and technical capacity (ex. NAFIN and BNDES)
- Development of non-financial instruments (contractual and payment arrangements ensuring cash flow / risk management)
- Co-financing and “blending”



... and piloting innovative financial instruments



- **Innovative lending** repayment method for lower-carbon transport



- **Grants** for development of pipeline of energy efficiency and renewable energy



Risks management guarantees to mobilize commercial capital for rural renewable energy and energy efficiency.



- **Equity** Fund Investments for renewable energy



international climate finance for energy efficiency



Promoting scale by **leveraging private investment** in wind energy

IDB Support for Green Bond Issuance



Together we will achieve more

Some of Our Partner\$



Our value proposition for “greening” NDB’s

Strengthening our Strategic Partnerships with NDBs to develop and implement:





What to do NOW?



Direct Financing:
Was easier,



But available money
is not enough.



No choice but to
optimize

NDBs FINANCIAL ENGINEERING



 Guarantees

 Transfers (& Contingent)

 Development of ESG and MRV

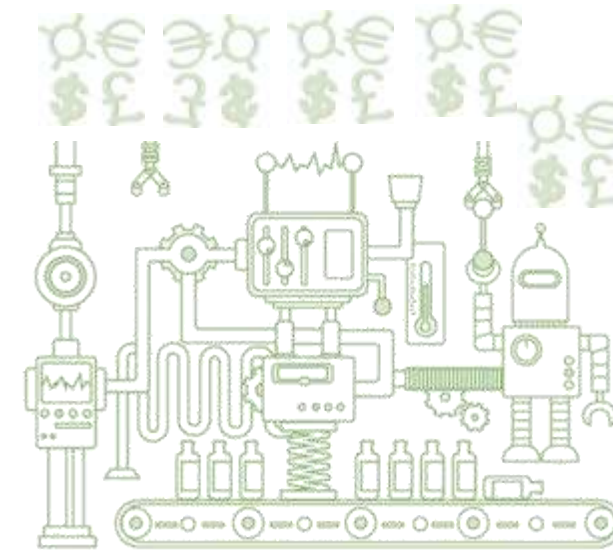
 Credit Enhancements

 Blended Financing

 Off Balance Operations

 Development of Smooth Project Pipeline

 Regulations and Legal Frameworks (APP's)



Supporting National Development Banks all along the issuance process: Green / Sustainable Bonds / Structure / Guarantees



THANK YOU!

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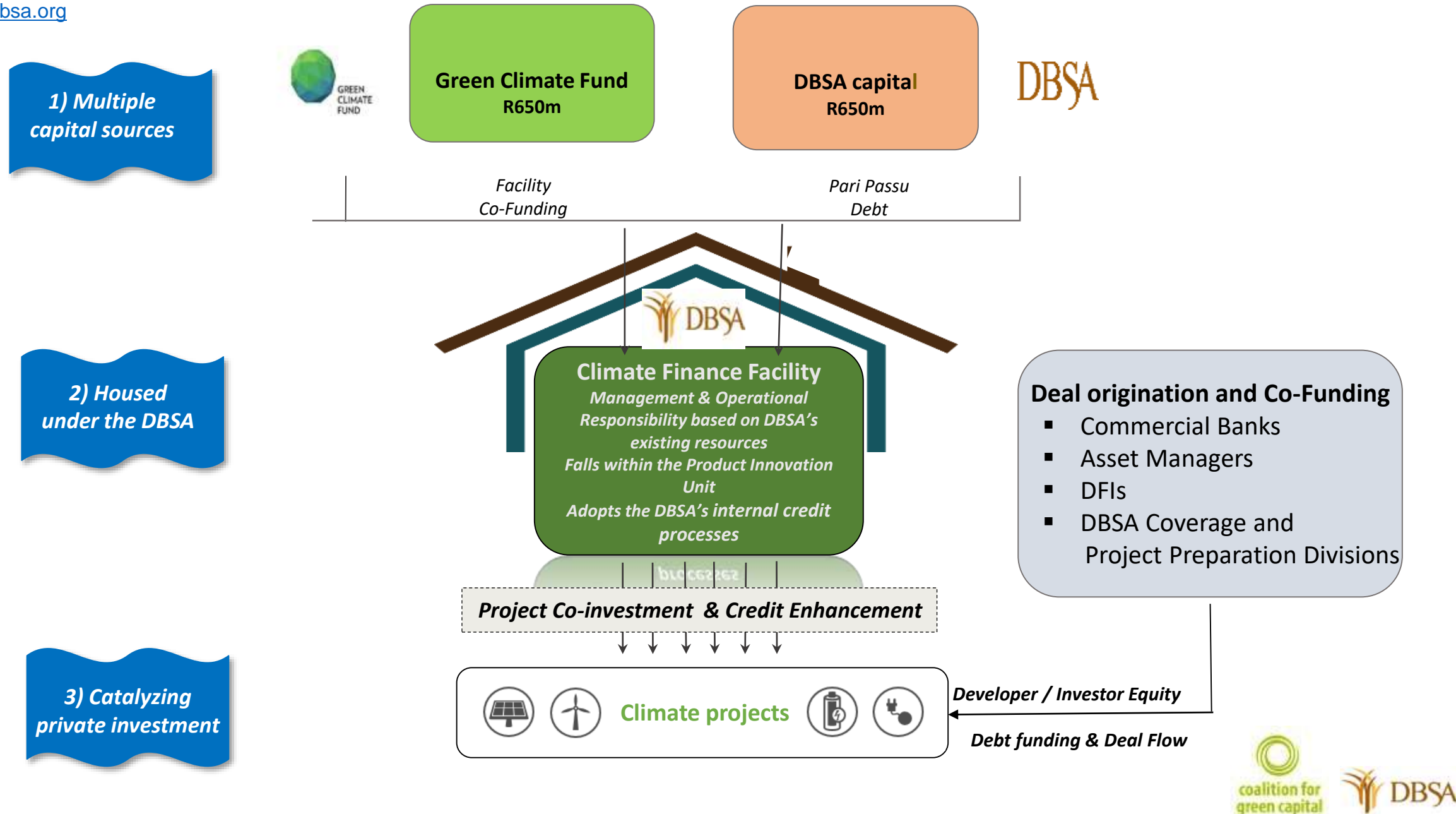




Panel Presentation

South Africa Climate Finance Facility Structure

Presented by Jonathan First, Lead Specialist, Product Innovation Unit, Development Bank of Southern Africa
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The Role of National Development Banks in catalyzing International Climate Finance

Presented by Doris Arevalo, Project Manager, Transform Global,
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2009

ENVIRONMENTAL AND SOCIAL STRATEGY

2011



2010

Working with the support of MDB's

GREEN CREDIT LINES

Credit line: Clean technologies in mass transportation system: USD 40 MM CTF + and USD 40 MM Banks + USD 2 MM Technical assistance

Efficiency energy Program: Credit line, energy efficiency insurance and project validation: USD 10 MM CTF + USD 10 MM Bancoldex + USD 1 mm technical assistance

ENVIRONMENTAL AND SOCIAL RISK MODEL

Technical assistance for desinging and implementation of social and environmental risk system

Training to 11 commercial banks

GREEN AND SOCIAL BOND

Framework

Projects pipeline

Second Opinion

Strategy

1. Bussiness Partners
2. Key Activities & Resources
3. **Value Addeed Project**
4. Customer Follow up & relationship

Becoming a green bank

- System of Environmental and Social Risks
- Resistance to change
- Identify green assets & evading the greenwashing: Development of methodologies : Green Portfolio
- Obtained credibility in the market & Reputation: Advisory Council on Climate Finance at Mexican stock exchange
- Evaluation based on the credit process
- Construction of parametric metric aligned to National Institute of Climate Change criteria (Ton CO2, m3 saved, etc.)

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Key Activities & Resources

1. Green Bond Overview
2. Use of Proceeds
3. Green Project Evaluation and Selection Process
4. Green Bond Sustainability Analysis
5. Reporting
6. Impact
7. External Review
8. Second Opinion
9. Assurance

