

Workshop A:

Getting to Scale: Tools for Greening Financial Institutions





Presentation from Inter-American Development Bank

Enrique Nieto

Financial Markets Lead Specialist Institutions for Development Connectivity, Markets and Finance Inter-American Development Bank enriquen@iadb.org



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



Mobilizer





Public Sector Entity



Project Structurer



Connector



Financial Institution



Risk Taker



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

Environmental & Social

Bankable Green Project Pipeline

Capacity Building

Technical Assistance



Guarantees

Credit Enhancements

Contingent Transfers

Green Bonds

De-Risking Facilities

Strategic Alliances

Public Private Partnership Framework



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



Portfolio Idenification

- ESG Capacity assessment:
- Training
 Treasury,
 Finance,
 Sustainability,
 Operation &
 Communication teams.
- Standard Taxonomy
- Portfolio & Pipeline identifiaction
- Development of indicators



Bond Structuring

- Framework preparation
- Feasibility study
- Use of Proceeds
- Anchor Investors
- Credit enhancement



IDB Guarantee?



Second Party
Opinion*

- Review and Certification
- Framework
- o Portfolio
- o Pipeline
- Use of Proceeds
- Green or Sustainable Bond Principles



Roadshow

- Development of final Public Offer Package
- Support for Roadshow



Issuance

- Support for promotion and media communications
- Knowledge sharing in LAC











Together we will achieve more

Some of Our Partner\$















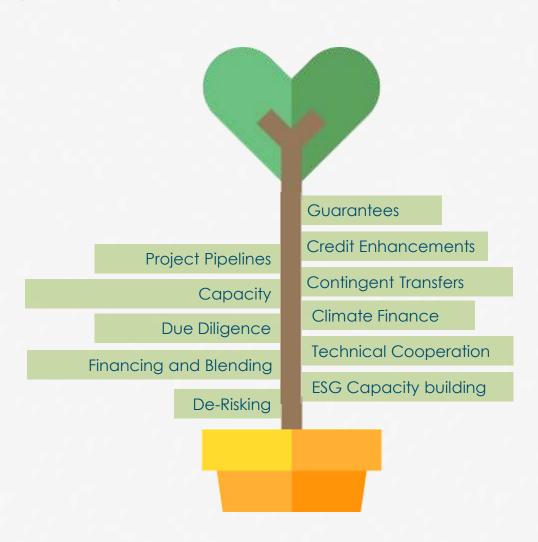






Our value proposition for "greening" NDB's

Strengthening our Strategic Partnerships with NDBs to develop and implement:







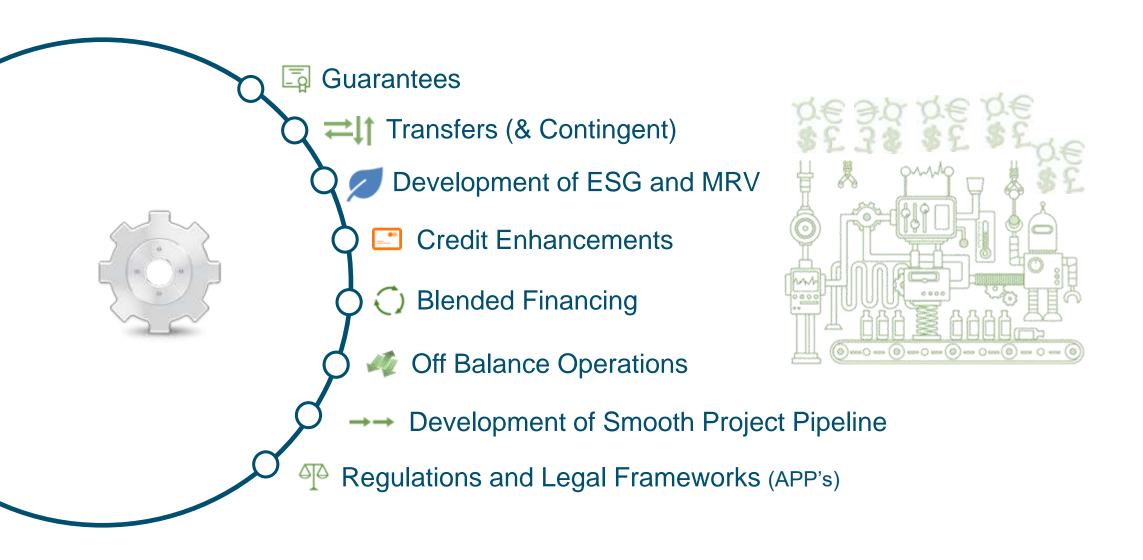


Direct Financing: Was easier,

But available money is not enough.

No choice but to **optimize**

NDBs FINANCIAL ENGINEERING



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



Bond

3





Portfolio identification

- Existing portfolio and potential pipeline identification
- Application of existing taxonomy and standards
- M&E design
- Institutional capacity building across departments
 Development of
- Development of methodologies for specific sectors

Bond structuring

- Sustainable framework preparation
- Feasibility study for credit enhancement (IDB Group or external)
- Feasibility study for anchor investment (IDB Group or external)
- Technical support to Treasury and Financial departments

Second Party Opinion

- SPO
- CBI certification when relevant

Roadshow

- Design of the final offer
- Support to communication plan & roadshow

ssuance

Knowledge sharing



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

JonathanF@dbsa.org

1) Multiple capital sources



Green Climate Fund R650m

DBSA capital R650m



Facility Co-Funding Pari Passu Debt

2) Housed under the DBSA

3) Catalyzing private investment



DBSA

Management & Operational Responsibility based on DBSA's existing resources Falls within the Product Innovation Unit

Adopts the DBSA's internal credit processes

Project Co-investment & Credit Enhancement





Climate projects





Developer / Investor Equity

Debt funding & Deal Flow





Deal origination and Co-Funding

Commercial Banks

DBSA Coverage and

Project Preparation Divisions

Asset Managers

DFIs



The Role of National Development Banks in catalyzing International Climate Finance

Presented by Doris Arevalo, Project Manager, Transform Global, dorisarevaloordonez@gmail.com

2009

ENVIRONMENTAL AND SOCIAL STRATEGY

2011



2010

Working with the support of MDB's

GREEN CREDIT LINES

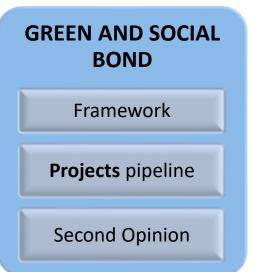
Credit line: Clean technologies in mass transportation system: USD 40 MM CTF + and USD 40 MM Banks + USD 2 MM Technical asistance

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





Presented by Ernesto Fernandez, FND ernesto.fernandez@fnd.gob.mx

Strategy

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



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



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.)

Ernesto Fernandez
FND
ernesto.fernandez@fnd.gob.mx





