

National Development Banks and Green Banks

Key Institutions for Mobilizing Finance

Towards the Implementation of Nationally Determined Contributions (NDCs)
and the accomplishment of the Sustainable Development Goals (SDGs)



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BACKGROUND

Governments have a number of tools available to meet the challenge of achieving sustainable development goals and climate mitigation objectives. Coherent domestic policy frameworks will be critical to creating an enabling environment for and help drive low-carbon, climate-resilient investments. Domestic institutions will also need to play a key role in enabling the shift to sustainable, low-carbon investment. National Development Banks (NDBs) have a privileged position in their local markets, strong knowledge of and long-standing relationships with the local private sector, a good understanding of local barriers to investment, and opportunities and vast experience in long-term investment financing. In this context, a number of NDBs have been playing a key role scaling up private financing for climate change mitigation projects through the intermediation of international and national public climate finance in their respective local credit markets.

Green Banks are a recent arrival on the financial institution scene, having emerged in the past five-seven years. Green Banks are publicly capitalized entities established specifically to facilitate private investment into domestic low-carbon, climate-resilient infrastructure and other green sectors such as water and waste management. In the countries in which Green Banks have been established, (i) there were identifiable gaps in financing for clean energy projects/enterprises that were not being supplied by existing public or private institutions; and (ii) there was a policy mandate to cost effectively scale up investment to meet climate imperatives and (in some cases) broader economic development goals. Though Green Banks differ amongst each other in terms of size, governance structure (e.g. certain Green Banks exist as divisions within larger institutions), missions, and tools, they all share a core set of functions and characteristics that are critical to increasing investment in green infrastructure. Some of these functions are like those undertaken by NDBs, such as working with the private sector and using public finance, risk mitigation, and transaction-enabling interventions to “crowd in” private investment. Yet, Green Banks are pioneering other interventions that can be instructive to NDBs in the region.



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In Latin America, there is a varied and rich ecosystem of NDBs. As part of their broader development programs, many NDBs are playing a key role in developing innovative green financial instruments to scale up private investments needed to transition economies to low carbon and improve their resilience to climate impacts. Indeed, some NDBs in Latin America are world-leading pioneers and major players in mobilizing sustainable and low-carbon investment. These NDBs as well as others that have more recently become involved in the space may find elements of the “Green Bank” model useful and relevant, even in light of the differences between them and currently operating Green Banks.

The “Green Bank” model is a free-standing, dedicated green fund or an embedded specialist “green team” of investment professionals with a segregated pool of green capital. In currently operating Green Banks, this model allows for their use of risk-mitigating and transaction-enabling interventions which have proved successful for leveraging private capital and creating new markets. Elements of the model could be useful to NDBs and other institutions to sharpen NDC implementation and meet the need to leverage increasing amounts of private capital over time. In turn, the innovative approaches and best practices of Latin American NDBs can help inform activities at existing Green Banks.

An event, co-hosted by the Banobras, IDB, ALIDE, and the OECD in partnership with the Green Bank Network, will focus on the topics outlined in the following agenda.

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"National Development Banks & Green Banks

-Key Institutions for Mobilizing Finance Towards the implementation of Nationally Determined Contributions (NDCs) and the accomplishment of the Sustainable Development Goals (SDGs)"

Mexico City, June 26th & 27th 2017

Four Seasons Hotel

Paseo de la Reforma 500, Cuauhtémoc,
06600 Juarez, CDMX, Mexico

8:00 am | Participant Registration and Reception (Coffee, Meet and Greet)

9:00 am | Opening Ceremony

Day 1 - Monday, June 26

- Veronica Zavala Lombardi, Inter-American Development Bank (IDB)
- Edgardo Alvarez, Latin American Association of Development Financing Institutions (ALIDE)
- Robert Youngman, Organisation for Economic Co-operation and Development (OECD)
- Douglass Sims, Natural Resources Defense Council (NRDC), Green Bank Network
- Alfredo Vara Alonso, Banobras

Opening Remarks: Alicia Bárcena Ibarra- *Challenges and opportunities to scale up private investments in achieving NDCs and SDG commitments*

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10:30 am | Session 1: Overview of Latin America macroeconomic situation, and challenges and opportunities from the Paris Agreement

This session will provide an overview on the role of NDBs in the LAC region in advancing the climate agenda, and the challenges and opportunities to enhance and optimize their actions in pursuit of goals in their countries' NDCs. The session will feature NDBs and national government representatives exchanging knowledge on country- or sector-specific barriers to climate investments and strategies to tackle them.

Moderator: Paul Clements Hunt

Discussion Panel:

- Amal-Lee Amin, IDB
- Jose Luis Samaniego, CEPAL
- Carlos Raúl Delgado, Finance Ministry, Mexico
- Carlos Berner Bensen, Production Development Corporation, CORFO (Chile)
- Doris Arevalo, Bancoldex (Colombia)

Q&A session

11:30 am | Coffee Break

11:45 am | Session 2: How can National Development Banks and the Green Bank model and experience support Latin American countries in achieving goals under the Paris Agreement?

Moderator: Paul Clements Hunt

Presentations:

- *The role of National Development Banks in NDCs and SDGs implementation*, Maria Netto, IDB
- *Investment grade policy frameworks and Green Banks*, Robert Youngman, OECD
- *Introduction to the Green Bank model: How can Green Banks support low-carbon and sustainable investments needed to achieve NDCs and SDGs?*
Douglass Sims, NRDC

Discussion Panel:

- Andi Colnes, Coalition for Green Capital
- Miguel Angel Ochoa, Bancomext (Mexico)
- Juan Ladrón de Guevara, Agency for Climate Change and Sustainability/
CORFO Technical Committee (Chile)
- Miguel Sebastian Lema, National Planning Department (Colombia)

Q&A session

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1:15 pm | Working lunch: “Multilateral guarantees as a new instrument to promote green financing” Joan Oriol Pratts, IDB. – 15 min

2:00 pm | Session 3: Experiences in blending and scaling up private finance – examples of innovative financial instruments

This session will consider types and examples of financial interventions, including risk mitigation and transaction enabling, undertaken by different institutions to overcome investment barriers, and how they can be replicated to accelerate NDC implementation.

Moderator: Paul Clements Hunt

Presentations:

- *Scaling up private investments through risk mitigation and blended finance*, Naeeda Crishna-Morgado, OECD
- *Energy Savings Insurance, innovative risk management for energy efficiency financing for SMEs*, Rafael Gamboa, FIRA (Mexico)
- *Rapid Bus Transport Systems*, Francisco Quiñones, FONADIN (Mexico)
- *Green Loans for municipal streetlight LEDs*, Gavin Templeton, UK Green Investment Bank (United Kingdom)

Q&A session

3:15 pm | Coffee break

3:30 pm | Session 4: How the Green Bank model can promote innovative approaches to mobilizing private investment and mitigating financial risks

This session will analyse opportunities and challenges for NDBs to take up risks associated with green infrastructure in a regulated financial market, and how the Green Bank model and innovative instruments to leverage private finance/equity could be used by NDBs.

Moderator: Paul Clements Hunt

Presentations:

- *Opportunities and challenges for NDBs to scale up private investments*, Enrique Nieto, IDB
- *Green Bank Network on overview of Green Bank approaches*, Kevin Holmes, CEFC (Australia)
- *Connecticut Green Bank on warehousing and securitization*, Bert Hunter, Connecticut Green Bank (United States)

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Discussion Panel:

- Douglass Sims, NRDC
- Maria Elena Marcelli, Banco Estado (Chile)
- Syed Ahmad Syed Mustafa Green-Tech (Malaysia)
- Homero Garza Terán, Sociedad Hipotecaria Federal (Mexico)

Q&A session

4:45 pm | Session 5: Working group round table discussions

This session will discuss opportunities and options for boosting climate change mainstreaming in NDBs' operations and replicating innovative approaches, such as initiatives to create Green Banks, in the Latin America and Caribbean context for NDC implementation. At each table, facilitators will describe their experience and initiatives and lead discussions at the round tables. Each round table will have about 30 minutes of discussion and five minutes to report key findings.

Moderator: Paul Clements Hunt

Topics for discussions at the tables:

- *Principles and approaches for mainstreaming climate change in NDB operations*
- *Models for adapting the Green Investment Bank model in Latin America*
- *Challenges and opportunities in designing innovative climate finance instruments*

7:00 pm | Cocktail offered by OECD

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Day 2 - Tuesday, June 27

8:00 am | (Coffee, Meet and Greet)

9:00 am | **Session 6: Opportunities to promote capital markets and mobilize institutional investment**

This session will discuss the current status of green bond markets and the role NDBs and Green Banks can play to boost and leverage the market, and the role Green Banks are playing in mobilising institutional investment.

Moderator: Paul Clements Hunt

Presentations:

- *Opportunities and status of green bond markets*, Sean Kidney, CBI
- *Leveraging green finance from Green Bond issuance*: Pedro Guerra, NAFIN (Mexico)
- *Crowding in institutional investment*, Rob Youngman, OECD
- *Green Banks on the buy-side of Green Bonds*, Kevin Holmes, CEFC (Australia)
- *Mobilising institutional investment in offshore wind*, Gavin Templeton, UK Green Investment Bank (United Kingdom)

Q&A session

10:40 pm | Coffee Break

11:00 am | **Session 7: Leveraging new sources of green funding**

This session will open space for a discussion about the role NDBs and Green Banks could play in blending resources and catalysing private funding from various sources to finance transformative private green private investments.

Moderator: Paul Clements Hunt

Panel:

- *Promoting innovative approaches to scale up private investments with Philanthropy*, Ilmi Granoff, Director, Sustainable Finance, Climate Works and Adam Connaker, Rockefeller Foundation.
- *Mobilizing Crowdfunding*, Bert Hunter, Connecticut Green Bank
- *Fintech and Sustainable Development* Marcos Mancini, UNEP Inquiry

12:15 pm | Lunch Break

12:45 pm | Working lunch: "The GCF Approach to Green Banking" Leo Hyoungkun Park, GCF. – 15 min

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2:00 pm | Session 8: Identifying lessons learned and next steps

This session will provide for an open discussion about key results from the workshop and potential next steps in the Latin America and Caribbean context.

Moderator: Paul Clements Hunt

Presentation: Key messages from workshop (OECD and IDB)

Discussion panel:

- Kevin Holmes, CEFC (Australia)
- Gavin Templeton, UK Green Investment Bank (United Kingdom)
- Syed Ahmad Syed Mustafa Green-Tech (Malaysia)
- Juan Manuel Galarza, Banobras (Mexico)
- Martin Salcedo, AFD (Paraguay)
- Marco Aurelio Crocco Afonso, Development Bank of Mina Gerais (BDGM) / Brazilian Association of Development Banks -ABDE (Brazil)

3:30 pm | Coffee Break

4:00 pm | Session 9: Concluding remarks

Organizers and local authorities will provide closing remarks.

- Jorge Marquez Garcia, BANOBRAS
- Eduardo Vasquez, ALIDE
- Andi Colnes Green Bank Network, CGC
- Enrique Nieto, IDB
- Juan Carlos Arrendondo Brun, SERMANAT