



Role of National Development Banks in Promoting Climate Finance

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Low Carbon Financing Challenges

- Government priority / policy orientation - host driven - ensure close link of international finance to national development goals
- Need for scale / programmatic approaches – ensure large, transformational and long term impacts in the economies
- How to mobilize / leverage private sector investments / participation
- Have “real” environmental results that are monitored, verified and reported

Role of National Development Banks

Development Mandate

Promotes financing and associated market development in underserved sectors

Public Sector Entity

Can interact with different levels of governments and potentially influence policy-making

Financial Institution

Is in the business of financing and risk taking, particularly in support of long term investments

Mobilizer

Works with private financial institutions and seeks to mobilize or attract co-financing

Project Structurer

Understands the risks and barriers and can shape and influence the project structure

Risk Taker

Can identify, manage, mitigate and assume risks that the private sector LFI cannot

Incubator and Aggregator

Can develop innovative and catalytic financial instruments and can manage small scale projects

International Partner

Has access to long-term hard currency borrowings and work closely with the MDBs, bilateral DFIs and foreign ECAs

Connector

Has connections to all of the relevant public and private sector actors



nacional financiera

Banca de Desarrollo



FIRA
FIDEICOMISOS INSTITUIDOS EN RELACION CON LA AGRICULTURA
Más que un buen crédito



Financiera Rural



FINAGRO



Banagrario

BANCOLDEx

Findeter

Financiera del Desarrollo



BANDESAL

BANCO DE DESARROLLO DE EL SALVADOR



AFEAM

AGENCIA DE FOMENTO DO ESTADO DO AMAZONAS S.A.

AMAZONAS

GOVERNO DO ESTADO

Desenvolvimento com Qualidade



Banco do Nordeste



Asociación Latinoamericana de Instituciones
Financieras de Desarrollo



Associação Brasileira de
Instituições Financeiras
de Desenvolvimento



BNDES



AGENCIA FINANCIERA DE DESARROLLO



BANCO REPUBLICA
BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY



Fomentamos inversión y desarrollo
para el Perú y su gente



Sectors supported

Sectors	NDBs	Countries
Energy Efficiency	BNB, Bancoldex, Findeter, Fira, Sociedad Hipotecaria	Brazil, Colombia, Mexico
Renewable energy	Bandesal, Nafin	El Salvador, Mexico
Sustainable Transport	Bancoldex, Findeter, Cofide,	Colombia, Peru
Waste Management	BNB	Brazil
AFOLU	AFEAM, BNB, Banco Agrario, Financiera Rural, Fira, AFD, Finagro	Brazil, Colombia, Mexico, Paraguay

Defining priority sector interventions
Alignment with national priorities
Market Studies

Addressing non financial barriers: Structuring of Demand for Finance

Addressing financial barriers: Development of adequate financial instruments

Support technology and service providers

Promote business models and project incubation

Capacity building of financial institutions

Awareness raising and standard practices

Credit / collateral guarantees

Performance Guarantee

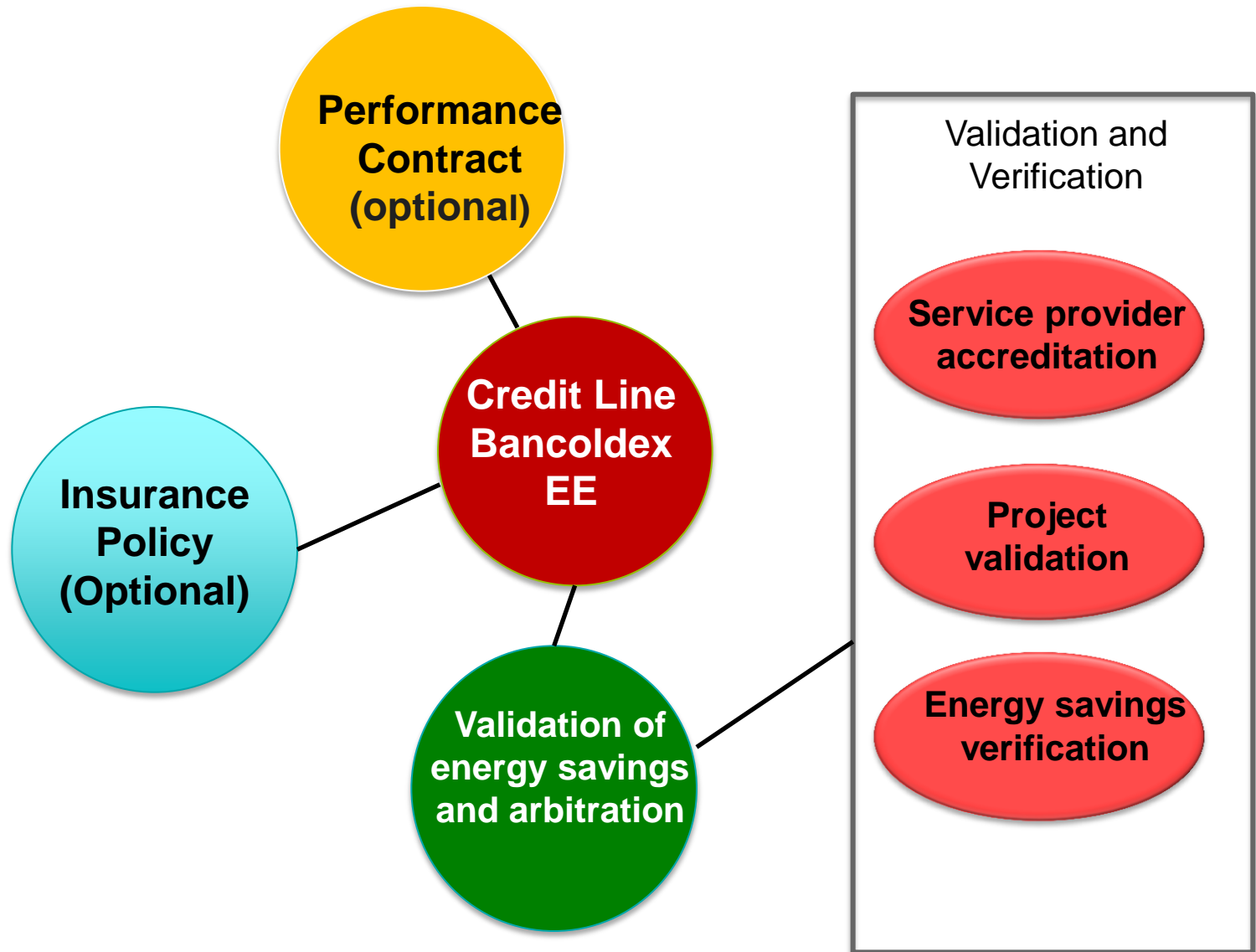
Insurance

Medium and long term concession al credit

NDB Green Instruments in LAC

NDBs	Grants / TA	Tier 2 loans (via LFIs)	Tier 1 loans (Direct)			Guarantees	Other contingent facilities	Equity		Management of funds	Co-finance with other funds
			LT Inv't loans	ST working capital loans	Other			Direct Equity	Equity into Funds		
AFD			√	√	√					√	
BANCO DEL ESTADO	√	√	√							√	√
BANCOLDEX		√				√			√		
BANDESAL	√	√	√			√				√	
BNDES		√	√	√	√		√	√	√	√	
COFIDE	√	√					√			√	
FINANCIERA RURAL	√	√	√	√		√	√	√	√	√	√
FINDETER	√		√	√	√				√	√	
FIRA	√	√				√	√			√	√

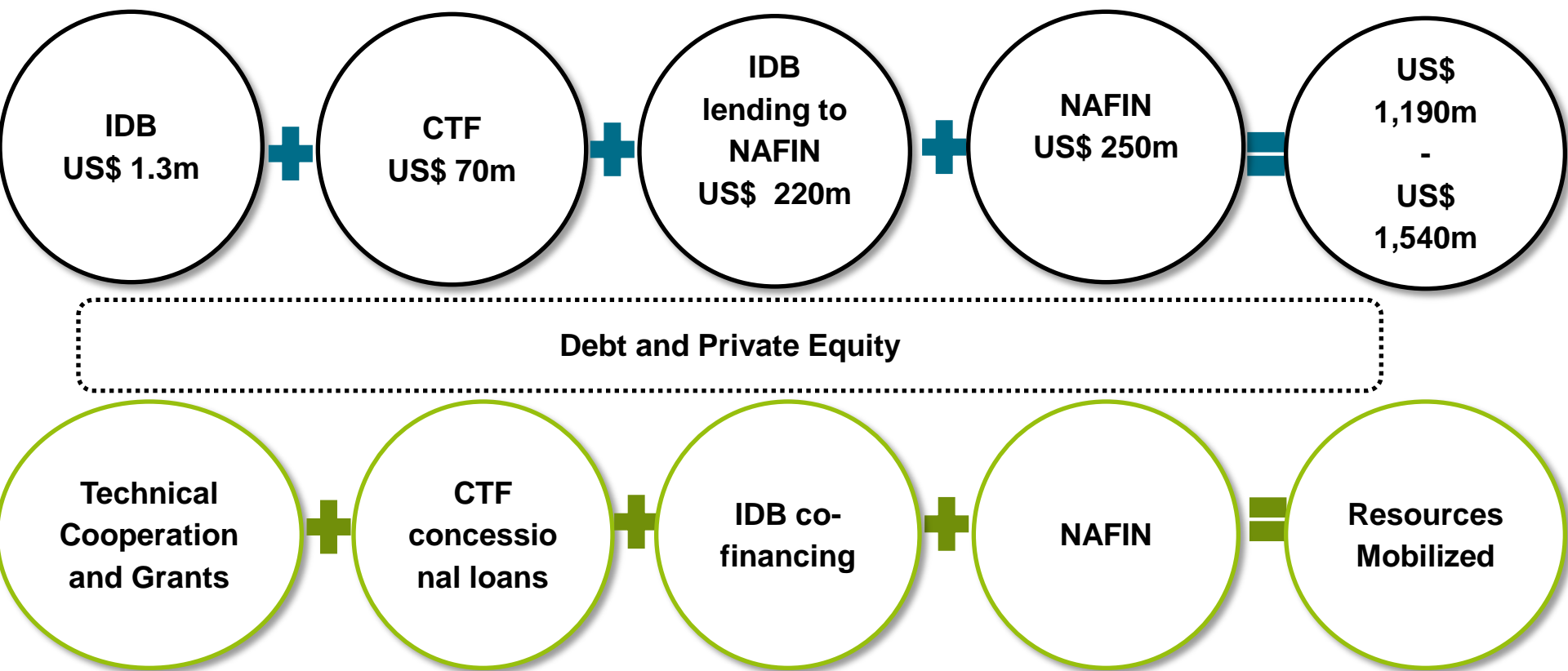
Example of Financial Strategies – EE for SMEs with Bancoldex



NDB leverage Potential

Category of Instrument		NDB Theoretical Leverage Factor
Tier 1	Non-concessional debt	2-5 x
	Debt financed via grants	8-10 x
Tier 2	Non-concessional debt	1 x
	Debt financed via grants	4-8 x
Tier 1	Direct Equity	12-15 x
	Equity financed via grants	20 x
Tier 2	Direct Equity	12-15 x
	Equity financed via grants	N/A
	Guarantee at non-concessional rates	4-8 x
	Guarantees financed via grants	25 x

Example of Leverage - CTF-REFF and NAFIN



Conditions for effective scale up of private climate finance

Pre-investment phase

Policy development /
Enabling Environment

- Internal capacity
- National dialogue

Demand creation

- Project proponent education and awareness raising
- LFI education and awareness raising

Feasibility studies /
Project preparation

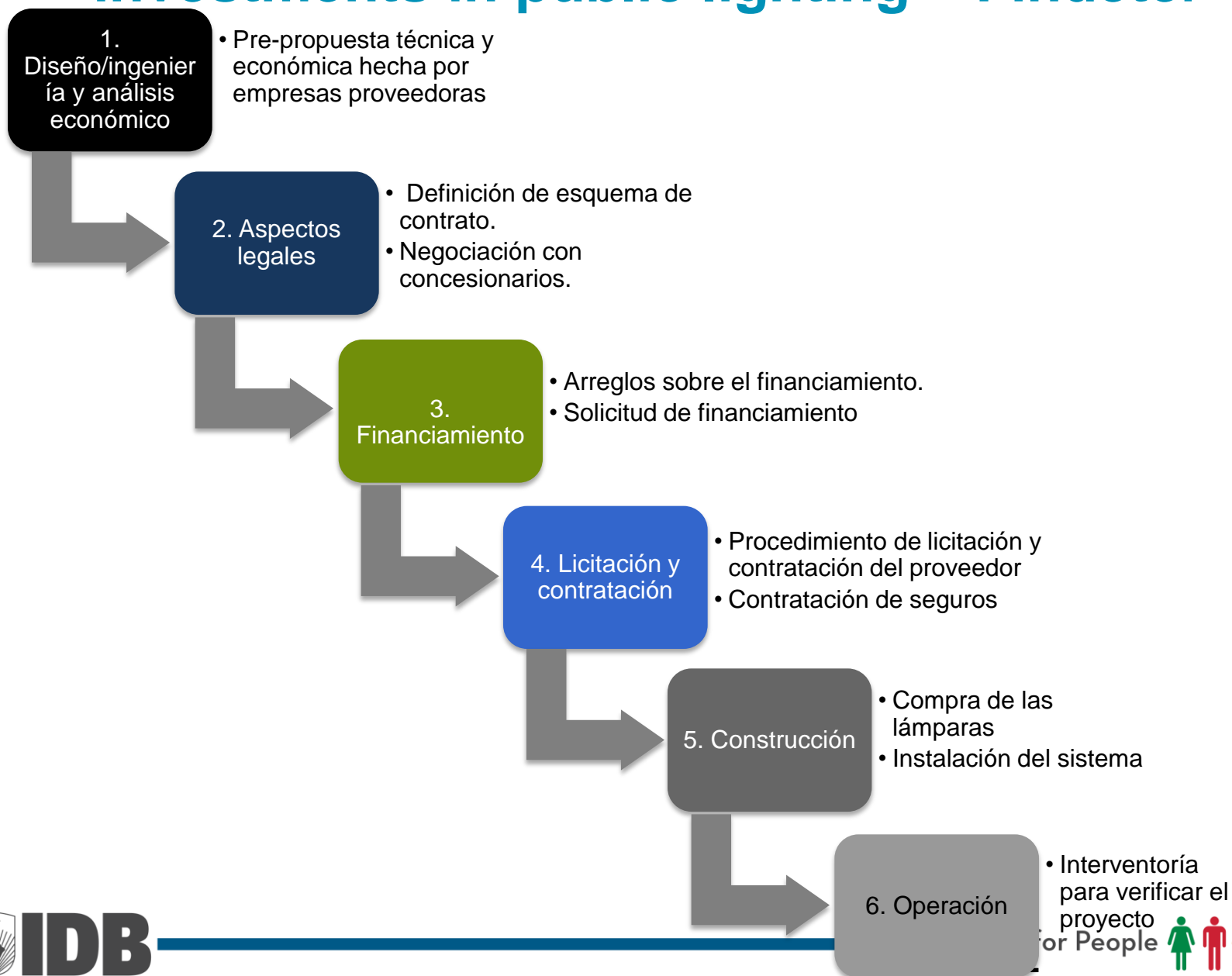
- Develop feasibility study for large projects
- Prepare Project / investment plan for smaller projects

Investment Phase

Financial structuring

- Debt on market terms
- Equity on market terms

Strategy for supporting pre-investments and investments in public lighting – Findeter



Lessons learned from NDBs Supported

- High potential of leveraging public and private finance to address climate change
- Innovation and piloting of green products
- Large potential of supporting programmatic / sectorial approaches (versus project by project)
- Key to understand what are financial barriers (versus other barriers) and segment specific market support (focus)
- Key to understand non financial markets and support market development, including development of bankable projects and coordination / participation of relevant actors
- Increasing importance of developing risk mitigation tools – particularly in liquid markets
- Learning by doing process – tailored solutions for specific needs

Web Platforms



- CFIs community of Practice

- New Good Practices Platform – KLAVE

Publications



2013:

- Green guarantees
- Social and environmental risk management
- Case studies

2014:

- FI's experience with EE and RE
- National carbon market opportunities in Brazil

Events



2013:

- Green finance experience – Rio de Janeiro, BNDES/ALIDE
- LAC FORUM VI– Rio de Janeiro
- Financial Instruments to Manage Risks Associated to Green Projects, Cartagena

2014:

- Global experiences with green financing lines – October

Institutions for People



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