FINANCING THE TRANSITION TOWARD A GREEN ECONOMY

Supporting National Development Banks in the design and implementation of green strategies

IDB | Institutions for People | CMF
A HOLISTIC APPROACH FOR EACH CLIENT AND SITUATION

Based on recent IDB experiences, green financing strategies should offer a global support via the combination of a comprehensive set of instruments, tailored to the specific needs of the sector.

Definition of priority sectors
Alignment with National priorities
Market studies

Addressing **non financial barriers:**
Structuring the demand for finance

Addressing **financial barriers:**
Developing adequate financial instruments

- Support technology and service providers
- Build financial institutions capacity
- Raise awareness and promote standard practices
- Promote business models and project incubation
- Credit Guarantees
- Performance guarantees
- Insurance
- Medium and long term concessional credit
OBJECTIVES

Significant amounts of funding are required to achieve the investment required to mitigate climate change, and adapt to its effects. The private sector accounts for the majority (86%) of investments that are relevant for activities to address climate change.

Unlocking private capital will be essential to achieve large and long term low carbon development programs.

National Development Banks (NDBs) in Latin America and the Caribbean (LAC) have been financing long term private sector investments amounting to around US$ 700 million a year. NDBs can play a crucial role in promoting the effective implementation of sectorial mitigation programs and channeling some of their funds towards private sector low-carbon projects and programs.

The Capital Markets Division of the IDB is supporting many green finance programs in different countries in the region.

NDBs are the direct beneficiaries of the cooperation and the expected end beneficiaries are private investors in sectors that are strategic for the transition towards a green economy.
Each intervention is expected to promote partnerships among the NDBs and various market players such as public entities, private businesses, chambers of commerce, commercial financial institutions, and academic and research institutions.

The IDB supports the sharing of experiences and lessons learned and the dissemination of best practices through different channels and tools such as:

- A strong relationship and collaboration with ALIDE (Asociación Latinoamericana de Instituciones Financieras para el Desarrollo),

- KLAVE “Finanzas Verdes”, an online knowledge product aimed at disseminating concrete experiences on green financing.

- Finanzas Carbono, a knowledge e-platform, developed by the IDB and maintained by the Fundación Torcuato Di Tella of Argentina which aims at providing – in Spanish – a virtual meeting point for the community of practice in LAC.
Expected Outcome

- Development of new business models
- Local environmental, social and economic co-benefits
- Contribution to economic and social development, through increased productivity
- Strengthening of financial innovation capacity

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<th>Sector</th>
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<td>ENERGY EFFICIENCY</td>
<td>Bancoldex, Findeter, BNB, Fira, Sociedad Hipotecaria, Nafin, AFD</td>
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<td>RENEWABLE ENERGY</td>
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<td>AGRICULTURE AND FORESTRY (SUSTAINABLE BIOMASS)</td>
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<td>Mexico, Brazil, Colombia</td>
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To explore collaboration opportunities, contact:

Maria Netto
Financial Markets and Climate
Finance Lead Specialist
mnetto@iadb.org

Jose Juan Gomes
Financial Markets Lead Specialist
joseg@iadb.org

For more information go to:

http://kp.iadb.org/finanzasverdes

Inter-American Development Bank,
1300 New York Avenue, N.W.
Washington, D.C. 20577 USA
Tel: (202) 623-1000
www.iadb.org