



LAC GREEN FINANCE FACILITY

As of: December 2021

Thanks to their strategic position in the partner countries, national development banks can promote private investments in energy efficiency measures and renewable energies. The 'Green Finance Facility' of the Inter-American Development Bank (IDB) supports national development banks in developing new financing products for Latin America and the Caribbean. To this end, it provides long-term financing with favourable terms and technical accompanying measures. Depending on requirements, bank employees receive training, market opportunities are analysed and the development of business plans is supported. A Green Bond platform is also being established to help improve the transparency of Green Bonds in the region. In the long term, the programme aims to contribute to an intensification of the financial market. This will also enable commercial banks to develop business models for investments in climate change mitigation technologies.

State of implementation/results

Brasil:

- BDMG completed its SDG framework, which was successfully certified by a second party opinion process (SPO), and then moved to issue a USD \$50 million SDG Bond in a partnership with IDB Invest. The operation secures BDMG's standing as the first Brazilian subregional development bank to issue a sustainable bond in the US market. The bank developed an SDG rating tool to measure the impacts of its portfolio.
- BNDES and Banco do Brasil received support from the program to structure their SDG frameworks and certify them through a SPO process.
- The Brazilian Laboratory of Financial Innovation (LAB) is a collaborative platform to share knowledge, enhance regulatory frameworks, and pilot innovative products in order to advance sustainable finance in Brazil. The multi-sector forum was initiated by the Brazilian Development Association (ABDE), the IDB, and the Securities Commission of Brazil (CVM) in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. In

PROJECT DATA

Country/Countries:

Brasilien, Kolumbien, Mexiko, Paraguay, Uruguay

Implementing organisation:

Inter-American Development Bank (IADB / IDB / BID)

Political partner(s):

- Ministry of Economy - Brazil
- Ministry of Environment, Housing and Territorial Development (MinAmbiente) - Colombia
- Ministry of Environment (MMA) - Chile
- Ministry of Environment - Uruguay
- Ministry of Finance - Chile
- Ministry of Finance - Paraguay
- Ministry of Finance and Public Credit - Mexico
- Ministry of Housing and Territorial Planning (MVOT) - Uruguay
- Secretariat of Finance and Public Credit (SHCP) - Mexico

Implementing partner(s):

- Bancoldex
- Brazilian Development Bank
- Chilean Economic Development Agency (CORFO) - Chile

BMU grant:

€ 8,000,000

Duration:

06/2016 till 12/2024

Website(s):

<http://www.greenfinancelac.org/lgi/>





August 2020, the LAB completed its 4th year working to promote sustainable finance and financial innovation in Brazil. Currently, 264 institutions and 921 members are involved, up from less than 50 institutions at the beginning.

Mexico:

- Banobras has strengthened its path to adopting a comprehensive green model in its operations with the development of an Environmental and Social Risk Management System (ESRM), a roadmap for the implementation of a green banking strategy, and a methodology for measuring environmental and social positive impacts of present and future operations.
- NAFIN and Bancomext are preparing loan operations with the IDB, which will allow them both to finance distributed generation (DG) projects for SMEs. Resources from the Clean Technology Fund (CTF) will be allocated to support both initiatives with concessional funds.
- Established in 2019, the LAB has successfully scaled the financial innovation dialogue structured in its four working groups: green finance, sustainable transportation, sustainable energy and sustainable agriculture.
- The program supported the development of a methodology to assess the environmental benefits of protected agriculture, which guides investment in low-carbon, climate-resilient agricultural greenhouses. This allowed the Trust Funds for Agriculture of Mexico (FIRA) to issue a USD \$125 million green bond backed by more than 500 projects of protected agriculture and sustainable irrigation systems..

Paraguay:

- USD \$23 million were fundraised from the Green Climate Fund for energy efficiency in small and medium enterprises in Paraguay for the Agencia Financiera de Desarrollo (AFD).

Chile:

- Under the direction of the Ministry of Finance, the facility provided support to Chilean financial authorities to advance the promotion of the Voluntary Green Agreement, an effort derived from the Green Finance Public-Private Roundtable (La Mesa). The support was expanded to the 2020+ Roadmap, which was designed to actualize the commitments made under the Voluntary Green Agreement.

Colombia:





- Finagro developed instruments that allow it to estimate the benefits in energy savings, CO2 equivalent emissions reduction of energy efficiency, and renewable energy investments for small and medium farmers.

Regional:

- In 2020, the project was extended to 2024 and includes Chile as a partner country, the Green Bond Transparency Platform and a regional component.
- The Green Bond Transparency platform was launched at the end of April 2021 to become a global benchmark for transparency and comparability for the green bond market.
- The Facility published in June 2021 “The Guidebook for National Development Banks on Climate Risk”, which clarifies how NDBs should incorporate climate risk management into their decision-making process and facilitate low-emission and climate-resilient investments in line with their mandates. The Guidebook also draws attention to a promising agenda that moves the financial sector toward private resources mobilization considering public policies and longer-term investment perspectives.

