



High Level Launching Event of the Alliance of Subnational Development Banks in Latin America

Agenda & Concept note

Tuesday 6 April 4:00 pm - 5:45 pm CET

OBJECTIVES

Following the Finance In Common Summit held in November 2020, the opportunity of creating a **SDBs Alliance in Latin America** has been led by the Minas Gerais Development Bank (BDMG), the French Development Agency (AFD), the Global Fund for Cities Development (FMDV) and the Institute for Sustainable Development and International Relations (IDDRI) with the following objectives:

- Align their initiatives, investments, and portfolios with the 2030 Agenda, the sustainable development goals (SDGs) and the Paris Agreement on climate;
- Promote sustainable investments at the local level through portfolios of sustainable urban and territorial development projects and boost the financial urban and municipal markets;
- Develop a strategic space for dialogues with peers, development institutions, governments, regulators, municipalities, investors and private firms, and technical and financial partners in the region;
- Enhance the strategic role of SDBs and the contribution of the Alliance to the Global Agendas in international fora.

The Alliance of SDBs in Latin America represents the second regional chapter of the Global Alliance of SDBs after the African SDBs Alliance created in 2016.

The Alliance's High Level Launching Event invites representatives from SDBs and NDBs, national and local governments, development finance institutions and the EU to exchange on the concept, the objectives and the scope of activities of the Alliance, and to share their experiences and vision.



AGENDA

Facilitated by Audrey ROJKOFF, Secretary General of the Finance in Common Summit

Opening

Duration: 14 min

- **Rémy RIOUX, Chief Executive Officer**, French Development Agency (7 min)
- **Sergio GUSMÃO SUCHODOLSKI, President**, Minas Gerais Development (7 min)

Keynote introduction from Jean-François HABEAU, Executive Director, FMDV (7min)

Round table 1: "SDBs as Policy and Market makers for local urban transition"

Moderator: **Sébastien TREYER, Executive Director**, IDDRI

Duration: 40 min

- **Valdecir José de TOSE, President**, Banco da Amazônia
- **Jesus Alan ELIZONDO, President**, Fideicomisos Instituidos en Relación con la Agricultura
- **Leany LEMOS, President**, Banco Regional de Desenvolvimento do Extremo Sul
- **Carlos LINARES, President**, Corporación Financiera de Desarrollo S.A.
- **Sandra GOMEZ, President**, Banco de Desarrollo Territorial
- **Verónica WEJCHENBERG, President**, Fondo de Garantías de Buenos Aires

This round table aims at illustrating the variety of SDBs in the region, and how they can act as policy and market makers to support urban and territorial development.

SDBs CEOs will be invited to exchange on their experience and vision around the following questions :

- What are the main needs and challenges SDBs face to fulfill their role of policy and market makers in order to effectively contribute to sustainable development priorities in the territories where they operate?
- How to better integrate the 2030 Agenda and the Paris Agreement on climate in their strategies?
- How to diversify partnerships and sources of funding for urban and territorial development?
- How to extend their services and products to support the development of urban and territorial projects more effectively?
- What are their expectations towards the Alliance and how can they contribute to it?

Approximately 5 minutes per SDB + 10 min of Q&A.

Keynote speech from Emilia Saiz, UCLG Secretary General - on the following questions (5 min)

- What are the expectations from local and regional governments towards SDBs in order to develop and finance sustainable urban projects?
- What are the inspiring practices developed by local and regional governments which provide guidance and facilitate coordinated work with SDBs to implement the SDGs and finance sustainable urban development?

Keynote speech from Rebeca Grynspan, Ibero-American Secretary-General - on the following question (5 min):



- How can National governments enhance their cooperation with SDBs to contribute to reinforce national policy-making and financing for sustainable urban and territorial development?

Round table 2: “Enhancing the cooperation of Technical and Financial partners and Local governments with SDBs”

Moderator: **Emilie MAEHARA, FMDV Deputy Executive Director**

Duration: 30 min

- **Juan NOTARO, President**, Fonplata Development Bank
- **Jorge Saba ARBACHE, Vice President for Private Sector**, Corporación Andina de Fomento
- **Jorge DE LA CABALLERIA, Head of South America and Regional Operations Unit**, European Commission, Directorate for International Partnerships
- **Dante MOSSI, President**, Central American Bank for Economic Integration
- **Moisés SCHWARTZ, Manager of the Institutions for Development Sector**, Inter-American Development Bank
- **David SISLEN, Practice Manager, Urban and Disaster Risk Management**, Latin America and the Caribbean, World Bank

This round table aims at exploring the potential for enhanced partnerships between SDBs and IFIs and the EU to finance urban and territorial development.

Representatives from IFIs and the EU will be invited to exchange on their experience and vision around the following questions:

- How can SDBs better support local and regional governments to develop and finance sustainable urban projects?
- How can IFIs and the EU enhance their cooperation with SDBs to diversify their sources of funding and technical and financial services to support and accelerate the implementation of SDGs and the Paris agreement on climate at local level?
- What should be the priority activities for the Alliance to support the SDBs and stakeholders committed to urban and territorial development.

Approximately 3 minutes per partner + 10 min of Q&A.

Closing: Sergio Gusmão Suchodolski, President, BDMG (7 min)



RATIONALE

The global agendas adopted in 2015, especially the SDGs and the Paris Agreement on climate recognized the strategic role of Local and Regional Governments towards their achievement. It is acknowledged that 65% of the SDGs may not be fully achieved without the involvement of urban and local actors¹. Moreover, SDG 11 and sustainable urbanization are recognized as a key entry point to accelerate the implementation of the global agendas during the “Decade of Action” through until 2030.²

However, while the global financial system provides the required amount of resources for the SDGs, these resources have not been channelled at the necessary scale and speed within the Agenda’s proposed time frame³. Before the outbreak of the Covid-19 pandemic, UN-Habitat estimated a \$5.8 trillion gap between the investment in infrastructure required to achieve the SDGs in the ‘Decade of Action’ and what was likely to be committed⁴. Less than 10% of available global climate fund architecture disbursed were prioritized for locally focused climate investments⁵ The COVID-19 crisis has exacerbated the dramatic underfinancing of Local and Regional Governments and urban and territorial policies.

Closing this financial gap and the systemic failure of local and urban financial markets is therefore a critical prerequisite to implement the global agendas.

Because of their unique mandate, **Subnational Development Banks (SDBs) have been recognized by the international community as key stakeholders to contribute to closing the financial gap and to localize SDGs.** In this regard, the United Nations Framework Convention on Climate Change (UNFCCC) endorsed multiannual targets toward 2030 aiming at strengthening the role of SDBs through the development of a Global Alliance of SDBs, supported by the Global Fund for Cities Development - FMDV.⁶

National Development Banks (NDBs)/SDBs are national public or public-private institutions mandated, partially (NDB) or exclusively (SDB) for providing funding and financing to local and regional governments for public services provision and investments in infrastructure projects, through a large panel of instruments: technical assistance, guarantees, credit enhancement, intergovernmental transfers, fiscal equalization, and debt; at concessional or market rates; directly or through commercial banks.

They have very high financing capacity potential, that is estimated for NDBs at least five times the volume of multilateral development banks. They can offer a range of specific benefits, including local currency financing and knowledge of specific local markets. They thus have a key role to play in steering and providing financing in particular for sustainable urban infrastructure.

¹ Sustainable Development Goals and Habitat III: Opportunities for a successful New Urban Agenda’, Cities Alliance Discussion Paper, N°. 3. Brussels: Cities Alliance (2015)

² The Future is Now: Science for Achieving Sustainable Development is the first quadrennial Global Sustainable Development Report (2019) prepared by an independent group of scientists

³ UN, 2019

⁴ An earlier assessment by UNCTAD in 2014, estimated a total annual investment gap of \$2.5 trillion.

⁵ Soanes et al, 201.7

⁶ Human Settlement Climate action Pathway endorsed by the Marrakech Partnership for Global Climate action (the multi stakeholder coalition led by the COP High level Champions and UNFCCC)- p 23

https://unfccc.int/sites/default/files/resource/Action_table_HS.pdf

LUCI initiative (Leadership for Urban Climate Investment) <https://www.citiesclimatefinance.org/leadershipforurbanclimateinvestment/>

For these reasons, SDBs are strategic institutions that can act both as Policy Makers and Market Makers for just local urban transitions.

As Policy Makers, through their strategies and as implementing institutions of national policies on urban development, SDBs contribute to develop and drive national policies aligned with the goals of the global agendas, by integrating qualitative and quantitative objectives, standards and reporting methodologies in their operating procedures. Acting more commonly under ministries in charge of decentralization, local development or urbanization, they represent efficient instruments to orient, connect and align national and local policies.

As Market Makers, they contribute to consolidate the local and urban financial markets, through developing the enabling environment for urban investment, improving local capacities to formulate investment worthy projects, developing a strong pipeline of projects, encouraging blended finance and partnering with international, national and private financial institutions.

However, institutional and financial barriers still prevent SDBs from reaching their full potential. On the one hand, SDBs are in demand for diversifying their resources through mobilizing better credit lines, sectoral funds and investment from Public Development Banks and Development Finance Institutions (DFIs), private investors and accessing the capital markets. On the other hand, they explore ways to diversify and improve their services offered to Local governments and stakeholders: project preparation facilities, financial instruments, risks mitigation & guarantees products, green/SDG bonds. Finally, they need to harmonize their practices and develop common norms and standards to better align their action with the SDGs and the Paris Agreement on climate.

They need to better understand the related existing opportunities, solutions and consolidate their strategic dialogues with their ecosystems of partners, from national and local governments, PDBs/DFIs, investors, to academia and think tanks.

