



Post-Event Report

Launching of the Alliance of Subnational Development Banks in Latin America and the Caribbean

Financing a sustainable urban and territorial transition aligned with the Sustainable Development Goals and the Paris Agreement on Climate

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INTRODUCTION

- **Summary**

Following the Finance In Common Summit held in November 2020, Banco de Desenvolvimento de Minas Gerais (BDMG), the French Development Agency (AFD), the Global Fund for Cities Development (FMDV), and the Institute for Sustainable Development and International Relations (IDDRI) have joined forces to launch the first Alliance of Subnational Development Banks (SDBs) in Latin America and the Caribbean on April 6th, 2021.

The event mobilized 240 participants and invited high-level representatives from SDBs and Development Financing Institutions engaged in the region along with representatives of National and Local Governments to express their recommendations and commitment to enhance their cooperation through the Alliance.

The event was opened and closed by Sergio Gusmão Suchodolski, President of BDMG and Remy Rioux, CEO of AFD and has mobilized three keynote speakers: Emilia Saiz, Secretary General of UCLG, Rebeca Grynspan, Ibero-American Secretary General and Jean-François Habeau, Executive Director of FMDV. Audrey Rojkoff, Secretary General of the Finance in Common Summit, facilitated the event all along.

A first round table focused on “SDBs as Policy and Market makers for local urban transition” and invited representatives from SDBs to share their visions and interests towards the Alliance and mobilized executives representatives from Banco Regional de Desenvolvimento do Extremo Sul (BRDE, Brazil), Banco da Amazônia (BASA, Brazil), the Fideicomisos Instituidos en Relación con la Agricultura (FIRA, Mexico), the Corporación Financiera de Desarrollo S.A (COFIDE, Peru), the Banco de Desarrollo Territorial (Findeter, Colombia) and the Fondo de Garantías de Buenos Aires (FOGABA, Argentina).

The second round table focused on “Enhancing the cooperation of Technical and Financial partners and Local governments with SDBs” and invited representatives from development institutions to share their experience of cooperation with SDBs and their interests towards the Alliance. It mobilized high level representatives from Fonplata Development Bank, the Corporación Andina de Fomento (CAF), the European Commission, the Central American Bank for Economic Integration, the Inter-American Development Bank (IADB) and the World Bank.

- **Why developing an Alliance of SDBs in Latin America?**

SDBs as key stakeholders to finance a just urban and territorial transition

As the world faces the COVID-19 crisis, which has exacerbated the dramatic underfinancing of Local and Regional Governments and urban infrastructures, SDBs have an important role to play in financing the implementation of the Global Agendas in Latin American cities and territories.

These institutions have been recognized by the international community as key stakeholders to bridge the growing financial gap and address the systemic failure of subnational financial markets where it is estimated that a 90 trillion USD urban infrastructure investment is needed to reach the objectives of a just urban transition by 2030.

Subnational Development Banks are public banks mandated to provide financing to local and regional governments or subnational entities for local public services provision and infrastructure projects. As financial intermediaries they can provide a large panel of instruments to unlock and broaden the sources of public and private funding at the local level. They can also improve local capacities to develop strong pipelines of investment worthy projects. They are considered as market and policy makers to drive local development aligned with the Sustainable Development Goals and the Paris Agreement on Climate.

Objectives of the Alliance of SDBs in Latin America and Caribbean

The Alliance is launched with the aim to invite all SDBs in Latin America and the Caribbean, along with Development Financing Institutions engaged in the Region and the networks of local governments, to join the movement. This is the second regional chapter of the Global Alliance of SDBs launched at the UN Secretary General's Climate Action Summit in 2019 after the creation of the Alliance for Africa in 2015.

The Alliance aspires to strengthen the capacity of SDBs to broaden and improve their services offered to local governments and local stakeholders through the 4 following objectives:

- Align their strategies, standards, initiatives, investments, and portfolios with the 2030 Agenda and its sustainable development goals (SDGs) and the Paris Agreement on Climate
- Promote sustainable investments through portfolios of urban and territorial development projects and boost the financial urban and municipal markets;
- Develop a strategic space for dialogues with peers, development institutions, governments, municipalities, 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 will facilitate the coordination of activities such as specific programs (training, peer to peer exchanges, cooperation with partners), the development of common instruments (data collection, standards, reporting instruments, project preparation frameworks), technical assistance to support the development of pipelines of projects and advocacy.

- **Opening remarks**

In its opening remarks, **Sergio Gusmão Suchodolski**, President of BDMG and the Brazilian Development Association shared the following ideas:

“Subnational Development Banks are diverse in their mandates, funding and operating models but they share common objectives, beneficiaries and partners. The Alliance will help to bring us together and to facilitate dialogue between institutions in the region creating a positive environment for an effective engagement. In addition, it will be a permanent platform to exchange best practices and experiences and get closer to our continental and global partners that are key for the financial and technical support.”

He then invited all Development Finance Institutions of Latin America and the Caribbean to endorse the joint statement of the Alliance and to disseminate the document on their networks and channels.

Jean-François Habeau, Executive Director of FMDV, further added:

“SDBs are transformative instruments for the development of stronger municipal credit markets, especially for medium size cities. They can play the role of Market Makers to enable the environment for urban investment and develop strong pipelines of projects and Policy Makers by integrating SDGs and the Paris Agreement objectives in their strategies, standards, data and reporting methodologies in their operating procedures.”

ROUND TABLE 1: SDBs as Policy and Market makers for local urban transition

Sébastien Treyer, Executive Director of IDDRI, moderated the first round table. He stressed the importance of mutual learning within the Alliance as a transformative and empowering tool, and thus invited SDBs CEOs to share their experience around the needs and challenges they face in order to effectively contribute to sustainable development and better integrate the 2030 Agenda and the Paris agreement in their strategies.

- **Key messages and experiences**

Leany Lemos, President of Banco Regional de Desenvolvimento do Extremo Sul (BRDE) asserted that the major challenge was funding and matching projects with resources.

BRDE is the 15th largest Brazilian bank in terms of portfolio loans and operates in four Brazilian states¹. To be aligned with the Agenda 2030 and the Paris agreement, BRDE has worked on five strategic fronts:

1. Focusing on micro, small and medium-sized businesses
2. Reaching more municipalities and the public sector, which only represents 5% of the activities at the moment

¹ Rio Grande do Sul, Paraná, Santa Catarina, Mato Grosso do Sul

3. Strengthening its “sustainable production and consumption” programme. It has grown from 5% of the portfolio five years ago to 17% in 2020
4. Aiming for the sustainable development goal 5 on gender equality through a women’s entrepreneurship development programme
5. Investing in technology and startups

According to **Carlos Linares Peñaloza**, President of Corporación Financiera de Desarrollo S.A (COFIDE), whether they are national or subnational, development institutions must above all learn to reinvent themselves in an ever-changing environment.

He argued that they have an important role to play under the Paris Agreement and in multilateral fora, as they can channel resources but also technical assistance. These institutions can have an important leverage effect on public policy making at different levels if they cooperate more closely and coordinate their priorities. On the other hand, they can act as facilitators for the private sector, especially regarding competitive rates and terms.

In Lima, as the National Bank of Peru, COFIDE works with multilateral partners to finance renewable energy projects that aim to meet regional needs. The bank is also reviewing its strategic plan with the OECD to incorporate economic and social components.

Sandra Gomez, President of Financiera de Desarrollo Territorial S.A (FINDETER), addressed the issue of mitigating the coronavirus crisis in Colombia, in particular with regard to hard-hit local governments. FINDETER is one of the four Development Banks of Colombia, with a mandate in infrastructure development finance. It has focused its efforts on sustainable economic recovery and has already been working at the territorial level for over a year through its fund Fundetac. It grants loans with a compensated rate, enabling territorial authorities to access privileged financing conditions. The main objective is to boost economic activity and employment through several lines of credit, including in the private sector.

FINDETER identified a major issue concerning the capacity to design, develop and structure projects at the territorial level. Therefore, as mentioned earlier by peers, building capacity through technical support and subsidies has been a priority.

Jesus Alan Flores, President of Fideicomisos Instituidos en Relación con la Agricultura (FIRA), the Mexican Trust Fund for Rural Development, was pleased to note that SDBs share many similarities and common challenges. He highlighted the ties between FIRA’s purpose and cities’ development. Agriculture has indeed a significant impact on economic growth, poverty, public health, food safety and migrations, but not only. While pollution is often associated with urban areas, the rural economy also is highly polluting, especially regarding water and greenhouse effects. These environmental impacts have effects on food production, which has an indirect impact on urban development. At last, these sectors are two sides of the same coin.

To align with the Paris agreement, as a second level institution, FIRA provides resources to both small and large farmers, working with short and long term credit facilities aligned with SDGs. Jesus Alan Flores summarized his Group's three-pillar strategy as follows :

1. Not harming the environment, measuring impacts and taking mitigating actions (over 10 million dollars in credit for this purpose)
2. Contributing to a positive impact on the environment through guarantees for certain subsidies (energy efficiency, reduction of water use, environmental friendly agriculture)
3. Engaging third parties: green tags, green bonds, social bonds

Veronica Wejchenberg, President of Fondo de Garantias de Buenos Aires (FOGABA), emphasized the importance of considering both environmental and social responsibility in development finance. Moreover, aligning sustainable development goals also means improving industrial production and reducing risks.

FOGABA works hand-in-hand with small and medium-sized enterprises (nearly 70% of formal employment in Argentina), which are key partners to reach SDGs at an urban level. It articulates its support along with that of other banks, including public banks, and created a united credit line during the pandemic.

"We need to create a strategic space to think of other initiatives and create portfolios aligned with SDGs. The Alliance will allow us to have a sustainable region, better access to resources and will help monitor projects that create sustainable works", she concluded.

Valcedir Tose, President of Banco da Amazonia, agreed with the previous speaker: one of the main challenges is to find a model that links economic growth with social and sustainable needs, especially in a region (the Amazon) where risks are high by definition.

The development bank is working with IFC to reassess its social and environmental policy and check international standards. It also built a partnership with the IDB, evaluated its bioeconomy products portfolio and created a green opportunity bank for entrepreneurs around the world in the region.

As a large development bank (approx. USD 6.5 billion), the Amazon Bank works with other banks in order to facilitate access to resources for sustainable projects. In addition, the Agenda 2030 has been integrated into the institution's strategic plan, which is protected in the long run by a strong and independent governance.

- **Keynote speeches**

Emilia Saiz, Secretary General of United Cities and Local Governments (UCLG), made the transition between the two round tables by describing the opportunities this Alliance can offer:

"The creation of this Alliance comes at a very important time, full of expectations and hopes. In this context, we need to pay specific attention to the

development agenda at the local level. As reported by the United Nations, the post-pandemic era has to be an opportunity to rethink our funding models and essential priorities in a more localized approach. Articulating our efforts is essential in order to deliver the Sustainable Development Goals and meet the Paris Agreement targets. Up to now, there is still a major gap between offer and supply affecting all the stakeholders. For instance in Latin America, intermediate cities deserve more funding and resources. The Alliance can be a place of change and dialogue, not only among banks, but also with local governments wishing to play their part. Subnational Development Banks need to keep a door open for territories and their knowledge: our expertise is valuable and our doors are opened.”

“The coronavirus crisis has shown us the limits of what we considered to be answers. A key question arose: whether to recover with even more inequalities or to change our development model. Getting out of the situation with more poverty will not be a recovery. We need to achieve long-term and structural changes to implement a greener and more inclusive development.”

In complement, **Rebecca Grynspar**, Ibero-American Secretary-General (SEGIB) stated:

“In Latin America, 80% of the population lives in cities, making it the most urban region in the world. I believe Subnational Development Banks to be key actors in reaching territories that are often ignored, working with all types of businesses and filling the gender gap. A network of SDBs could create distinct public policies and offer new and transformative financing mechanisms. In this way, the Alliance is a great step towards multi-level and multi-actor action.”

ROUND TABLE 2: Enhancing the cooperation of Technical and Financial partners and Local governments with SDBs

After having seen that the contributions by SDBs filled the market gaps in the first part, **Emilie Maehara**, Deputy Executive Director of FMDV, introduced the second round-table, which aims to explore other potential cooperation. It seems crucial to enhance interactivity between different levels of development banks in order to create the most suitable financial tools (non-sovereign guarantees, de-risking instruments, blended finance). This round table was organized around the following questions :

- How can financial institutions enhance their cooperation with SDBs in order to diversify the sources of funding, technical, and financial services available for local governments and urban and territorial development?
- How can they further support SDBs and local governments in structuring portfolios of sustainable urban and territorial projects?
- How can we support SDBs in aligning their strategies and operating procedure with the 2030 Agenda and the Paris Agreement on climate?
- What should be the priority activities for the Alliance on the subject?

- **Key messages and experiences**

Juan Notaro, President of FONPLATA Development Bank, argued that even if SDGs may seem ambitious, they help us work together to create a more solidary and sustainable world. The final statement of the Finance In Common Summit mentioned that the post-covid world would require a shift in paradigm for a more resilient, inclusive and sustainable society, as advocated by Rebecca Grynspan. Building an international financing alliance in this context is an important step; banks can provide funding for change in circumstances that may not be comfortable for other institutions.

Ideas for the Alliance:

1. Establish institutional and financial long-term ties to overcome the short-termism of political cycles and strengthen confidence, as well as a common SDG and climate oriented strategy
2. Improve coordination, between banks operating in the same region to reduce operating costs
3. Promote and articulate capacity building and best practices. DFIs and SDBs have a lot to learn from each other, and adapt inspiring practices to local contexts.
4. Develop innovative long term funding instruments

Dante Mossi, President of Banco Centroamericano de Integración Económica (BCIE), insisted on the need to develop project preparation facilities for urban projects based on revolving funds. The EU joined forces with BCIE in order to address urban development issues. One of the strengths of SDBs is their capacity to mobilise funding in local currency. The region has already been badly impacted by climate change (hurricanes) BCIE supported the development of climate-resilient urban infrastructure in San Jose through a climate fund. The private sector should be part of the solution and not part of the problem, through public-private partnerships and financial innovation. BCIE is also looking into sectors where banks would not invest normally, committed to achieve SDGs and meet short, medium and long-term needs, such as covid vaccines most recently.

Jorge Arbache, Vice-president of Corporacion Andina de Fomento (CAF) for the private sector, presented the ties between CAF, a major multilateral development bank and the SDBs of the region which are the last miles institutions to deliver funding to territories through a capillary effect. CAF has a long history of working with cities and states in Latin America, and its portfolio includes several subnational projects (“Cities of the Future”, a water related project and logistics corridors). The institution has also contributed to support SDBs through digital transformation and capacity building and training of SDBs staff. Recently, in response to the pandemic, a special credit facility of USD 1.6 billion was created to identify impactful projects with SDBs in response to the urgent needs of small municipalities. CAF has also been focusing on SME and micro-finance institutions with regards to emergency and health-related social needs. In CAF’s opinion, one of the main challenges of the Alliance is to develop a platform of operations and programs to support SDBs in the mobilisation of resources as well as the coordination of agendas.

Jorge de Caballeria, Directorate General for International Partnerships of the European Commission, presented the instruments developed by the European Union to catalyze interventions of the public and private sector in Latin America to support national and local governments investments. The EU develops blended finance with DFIs (AFD, KfW, Spanish banks, IDB, CAF). Through facilities, the EU supports a wide range of local governments and SDBs. It provides technical assistance regarding climate change to FONPLATA and supports a project for sustainable cities in Colombia with AFD. SDBs are second range associated financial institutions for blended finance.

Today's priority for the EU is to implement the Green Deal for the post covid recovery and to offer, through the European Fund for Sustainable Development, access to well-established EU blending facilities, coupled with a new, additional guarantee for public and private investors. It is today critical to align agendas and develop new cooperations for blended finance.

David Sislen, Practice Manager, Urban and Disaster Risk Management, Latin America and the Caribbean at The World Bank, agreed that a critical market failure has to be addressed at the local level: small and medium sized cities do not have access to long-term finance, while it is a prerequisite for effective climate mitigation and adaptation projects. The adaptation and resilience agenda and the way cities operate is the frontier challenge.

Finance intermediaries and SDBs are a bridge between the needs of the local level and the emerging financial climate architecture. We need to develop platforms to help connect with medium size cities. The World Bank is currently putting a lot of effort on helping cities develop their capital climate investment plans, which still lack capacity and integrated tools for adaptation and resilience. Among the financial innovative tools are land based finance, and credit finance facility.

Moises Schartz, Manager at the Inter-American Development Bank (IADB) agreed with his predecessors: Public Development Banks play a crucial role in Latin America and the Caribbean, safeguarding social, political and economic progress. They are fundamental to managing global risks such as climate change and infectious diseases. They proved to be essential during the Covid crisis, with rapid large-scale responses. In this framework, the IADB developed programs to support the liquidity of projects. They support SDBs to strengthen their climate mandates, through accreditation processes. It is critical to capitalize pipelines of mitigation and low carbon projects at the local level through project identification and investment platforms.

- **Conclusion**

Rémy Rioux, IDFC Chairman and AFD Group CEO concluded:

“Gathering for the first time the 450 public development banks of the world, the Finance in Common Summit enabled the development community to reassess the specific role of Subnational Development Banks. We must now operationalize these findings in order to achieve the Sustainable Development Goals. In Latin America and the Caribbean, SDBs can contribute to respond efficiently to the currently strong need of countercyclical support, but also, and more importantly, they can support sustainable and long-term recovery of the region. The Alliance of SDBs is a concrete illustration of this way forward and a message with global resonance.”

Sergio Gusmão Suchodolski, President of BDMG and the Brazilian Development Association, warmly thanked all the participants and speakers of the event. He recalled that the Alliance of Subnational Development Banks in Latin America and the Caribbean intends to be a collaborative platform and remains open to all partners.

- **Next steps**

The founding members of the Alliance invite all interested SDBs and their institutional, technical and financial partners to endorse [the declaration on-line here](#) to join the Alliance as members or partners.

For this purpose, we kindly invite you to send an email indicating your interest to join the Alliance and to provide the name of your institution and the contact persons to the following emails:

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For any additional information regarding the endorsement, please contact the emails mentioned at the end of this document.

A first multi-stakeholder workshop will be organized on June 23, including BDS, DFIs and international organizations. This will be an opportunity to discuss the strategy and work plan of the Alliance.

In parallel, a study on SDBs in the region exploring their governing structures, operating modalities, portfolio of projects has been launched and funded by AFD.

About

More information [about the Alliance here](#)

Finance in Common Summit

Taking place 9-12 November 2020 in Paris and online, the Finance in Common Summit addresses our common need to build new forms of prosperity that take care of the living (people and planet) in a resilient manner. This first-of-its-kind event gathers the world's Public Development Banks (PDBs), along with other key stakeholders such as Heads of State and Government, supervisors, and representatives from the private sector, civil society, think tanks and academia, to stress the crucial role of PDBs in reconciling short-term countercyclical responses to the crisis with sustainable recovery measures. By rallying and challenging a new and significant global community with enhanced capacity of action, and by promoting sustained collective action, the Finance in Common Summit is a key milestone on the way to the crucial events of 2021, notably the COP26, the COP15 and the Generation Equality Forum.

Banco de Desenvolvimento de Minas Gerais (BDMG)

BDMG is a subnational development bank supporting sustainable development in Minas Gerais and neighboring states in Brazil. BDMG supports the public and private sectors, providing credit to companies of all sizes and sectors, municipalities and municipal public service concessionaires. Its 5-year strategy is aligned with Sustainable Development Goals (SDGs).

Agence Française de Développement (AFD)

The Agence Française de Développement (AFD) funds, supports and accelerates the transitions to a fairer and more sustainable world. Focusing on climate, biodiversity, peace, education, urban development, health and governance, our teams carry out more than 4,000 projects in France's overseas departments and territories and another 115 countries. In this way, we contribute to the commitment of France and French people to support the sustainable development goals.

The Global Fund for Cities Development (FMDV)

FMDV is a global network of local and regional governments initiated by the members of United Cities and Local Governments (UCLG), with the mission to develop and promote investment and financing solutions for an integrated and sustainable urban development aligned with the SDGs.

Institute for Sustainable Development and International Relations (IDDRI)

IDDRI is an independent policy research institute and a multi-stakeholder dialogue platform that identifies the conditions and proposes tools to put sustainable development at the heart of international relations and public and private policies.

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