



## Alliance of Subnational Development Banks (SDBs) in Latin America and the Caribbean\*

# Aligning SDBs with Global Agendas: Ongoing experiences with norms, standards & procedures in Latin America and the Caribbean.

### Online Workshop

**April 19th, 2023**

**09:00 am. – 11:00 am. (LIMA/BOG)**

**11:00 am. – 1:00 pm. (BRA)**

**4:00 pm. - 6:00pm (CEST)**

Interpretation available in **ENG/ESP/PT**

**Registration- <https://forms.gle/p6Qq5F4badTVPnSHA>**

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*\*The **Alliance of SDBs in Latin America and the Caribbean**, is a **Finance in Common**\*\* initiative led by **FMDV** - Global Fund for Cities Development.*

*This multi-stakeholder Alliance gathers SDBs and their institutional and financial partners (Development Finance institutions, international organizations, academia, think tanks, networks of local and regional governments) to strengthen the capacity of SDBs to broaden and improve their services offered to subnational governments and local actors, and to consolidate sustainable investment portfolios.*

*\*\***Finance in Common** is the global network of more than 500 Public Development Banks (PDBs), which aims to align financial flows on the 2030 Agenda and the Paris Agreement.*

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## **1. Background**

The **2030 Agenda** defines clear goals, targets and quantitative indicators for all stakeholders to measure its progress, and relies first on **the commitment of all UN Member States' governments, public administrations and institutions** for its effective implementation simultaneously in their own countries and as a global effort.

To support them in this engagement, other complementary international agreements were set, before and after the Sustainable Development Goals' definition: in particular the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Action Agenda (AAAA), the Paris Agreement, and the New Urban Agenda (NUA).

The global negotiations, agreements, strategies and roadmaps/action plans, consecutive to these agendas' adoption, are now designed to urgently guide governments in **aligning policies and financial flows consistent with a pathway towards low/net-zero greenhouse gas emissions, and a resilient and just development and transition.**

**Due to their political mandate, and lower risk aversion, added to their knowledge of the local markets' dynamics, opportunities and depth, Subnational Development Banks (SDBs), as "last mile" banks and financial institutions, have a unique position as both politically accountable institutions and "visible hands" in the ecosystem.** Additionally, just as other PDBs with a national or multilateral mandate, they can play the role of "SDG enablers" for subnational governments and SMEs, by reconnecting national priorities, policies and strategies to both local needs and opportunities for innovation and transformation, while enhancing local and regional governments and SMEs' access to national and international resources, and crowding in private finance for local sustainable development and transition.

## **2. Rationale**

In sustainable finance, **compatibility with international commitments** is often associated as a **proxy for investment**. Considering their key role in the financing value chain for local and regional sustainable, resilient, and just development and transition, these alignments and adoption of common norms, standards and procedures strengthen SDBs' position and visibility as sustainable and net-zero development champions, game changers and "influencers".

Prioritizing sustainability, ESG, Climate Change compliant investments allows SDBs to address the transition and development challenges positioned at the core of the domestic and international development commitments, strategies and plans, and to seize the intrinsic opportunities for change (and leverage) created by their public mandate for local development.

Financing frameworks that are aligned with the global agendas can therefore provide SDBs easier access to a new set of technical and financial resources, new partnerships, and a clear roadmap for innovating and adapting to their market's new institutional, societal, and economic realities.

### **Defining alignment**

According to recent research<sup>1</sup>, the alignment process on global agendas for public financial institutions should include and/or require:

- **Mapping:** frequently set as the first step in the alignment process, the mapping exercise is realized only after financing has been granted. Moreover, generally only positive impacts are assessed, and it is hard to aggregate data;
- **Exclusion lists and criteria:** some financial institutions use them to identify activities that cause significant harm to the SDGs and discard projects that are deemed too harmful or not aligned with their new sustainable/net-zero investment strategy;
- **Comprehensive and systematic integration of Global Agendas' goals into the bank's strategies:** effective and long term strategic alignment requires a comprehensive and systematic alignment to anchor SDGs and other climate change compliant goals within SDBs' organizational culture, backed by adequate incentives and capacity building;
- **Strategic partnerships with public and private partners** in order to lead innovation in developing and scaling up better and more sustainable tailored financial products and services, as integrated in a financing value chain (including technical assistance, project preparation, and access to financial engineering as a complement to the financial deals and due diligence processes).

## Challenges

SDBs face a number of internal and external difficulties when tackling the challenge of alignment. Even if SDGs are quantified targets, allocating financial resources for their achievement remains difficult to assess because of a lack of data, methodologies, skills and political will to make informed decisions and turn goals into actions.

Furthermore, no standard indicator exists for measuring progress towards the SDGs and the international goals, or fully capturing their interlinkages and territorial implementation complexities. Moreover, adaptation and climate resilience investments are also associated with positive externalities which are not well captured by financial metrics, long-term economic payback profiles and/or delayed benefits.

These metrics usually compose the strict assessment and reporting methodologies used by financial institutions, aside from the ESG components whose integration in the reporting process depends on the domestic legislation or the will of the institution's board and/or investors.

Finally, for a bank or a financial institution, aligning to global agendas' commitments, goals and targets entails, among other things, securing its assets, reviewing/reorientating its previous

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<sup>1</sup> Recent research includes: "Scaling up public development banks' transformative alignment with the 2030 Agenda for Sustainable Development" October 2020, IDDRJ  
"PDBs' catalytic role in achieving the UN SDGs", December 2022, IDFC- Natixis Green & Sustainable Hub

investment choices in the light of new strategies and compliance, and ensuring its new portfolio design will meet with their potential clients' will and (cap)ability to align themselves and their projects with these new development and transition frameworks; this virtuous push requires being part of an ecosystem composed of a proactive set of progressive policies (including financial and economic incentives/restrictions), players, and resources.

### **Opportunities**

**SDBs' catalyzing role** in the implementation of the global agendas can be enhanced by joint efforts to harmonize alignment practices, developing common norms, standards, and operating procedures, upheld by a clear SDG-compliant national policy, public budget allocation and investment strategies:

- SDBs, as key local players, can **collaborate** with and **coordinate** partnerships between national, local and regional governments, private sector, NGOs, think tanks, SDG data providers, investors, and credit rating agencies to **improve** their current performance and **exploit** synergies. Additionally, they can **promote** national and international cooperation by sharing know-how and practices, thereby helping to **reduce** data collection and **impact** opportunity costs.
- In this process, SDBs can **benefit** from corporate and financial sustainability trends by meeting public and private investors' demand for sustainable finance instruments, helping to **direct** international resources to impactful local projects & development/transition strategies.
- Finally, by aligning with SDGs and global agendas, SDBs can **demonstrate** leadership, **spur** innovation, and **show** accountability to investors, clients, citizens and taxpayers.

### **3. Objectives**

During this 2 hours online workshop, SDBs and their partners will:

- **Analyze and understand key barriers, opportunities, lessons learned and recommendations** for SDBs' alignment with Global Agendas, specially regarding the thresholds/limitations of individual project alignment and the systematization of organizational and operational strategies;
- **Showcase inspiring frameworks, methods and tools** set by SDBs and their partners (DFIs, international organizations) to catalyze and scale their alignment;
- **Identify needs for capacity building and reinforced cooperation** between SDBs and their institutional, technical and financial partners to develop tools and strategies to strengthen their impact on SDG aligned local development.

**A set of recommendations will be drafted as an outcome of the workshop.** It will be disseminated as a contribution of the Alliance during the 2023 Latin America and the Caribbean

(LAC) Regional Forum on Sustainable Development organized by UN-ECLAC in Santiago de Chile from April 25th to 28th.

## AGENDA

### Introduction, Moderation & Wrap-up (15')

- **Mr. Carlos de Freitas, Co-Director - FMDV**

### Keynote speaker (15')

**Overview on alignment of norms, standards and procedures with Global Agendas**

*Presentation of IDFC study “PDB’s catalytic role in achieving the UN SDGs” - Focus on its section “Draw me an aligned PDB”*

- **Ms. Béryl Bouteille, Head of IDFC Secretariat & Ms. Marie Garcin, IDFC Partnership Officer - IDFC Secretariat**

### Presentations (60')

The experience of MDBs (10')

- **Mr. Edgar Salinas, Executive Principal, Climate Change Unit - CAF**
- **Mr. Rafael Ranieri, Head of the Development Effectiveness Unit - FONPLATA**

Knowledge and technical transfers (10')

- **Mr. Gianleo Frisari, Senior Sustainable Finance Specialist - BID**
- **Ms. Nergis Gulasan, Regional SDG Finance Specialist for LAC region/UNDP Sustainable Finance Hub**

Strategic alignment and internal mainstreaming (20')

- **Ms. Bruna Araujo, Sustainability and Economy Manager - Associação Brasileira de Desenvolvimento - ABDE & Mr. Carlos Vieira, Executive Advisor, Desenvolve MT**
- **Panelist TBC - BANCOLDEX**

Focus on frameworks, methods and tools (20')

- **Mr. Anderson José Amâncio, Head of the directorate's office - Banco Regional de Desenvolvimento do Extremo Sul - BRDE**
- **Ms. Cinthia Bechelaine, Planning Superintendence Manager - Banco de Desenvolvimento de Minas Gerais - BDMG**

### Open discussion and experience sharing among participants (30')