

G20 / Finance in Common Rio joint event
20 & 21 May 2024, BNDES HQ, Rio de Janeiro

Draft concept note

1. Background

The fight against hunger, poverty, and inequalities; the promotion of sustainable development, clean energy and bioeconomy; and the reform of global governance are the three dimensions that the Brazilian presidency will focus on during its mandate, which runs from 1 December 2023 to 30 November, 2024. The Presidency intends to advance concrete solutions in response to those challenges and to explore sustainable opportunities, by engaging with a variety of stakeholders from civil society, the private sector and the financial system.

Leading for the first time the group that includes the world's 19 largest economies, as well as the African Union and the European Union, Brazil will organize more than 100 working group meetings, both virtually and in person, as well as around 20 ministerial meetings. The Summit of Heads of Government and State, to be held in Rio de Janeiro on November 18 and 19, 2024, will be the culmination of this extensive work.

2. Synergies with Finance in Common (FiCS)

Brazil and the city of Rio de Janeiro play a pivotal role when it comes to sustainable and inclusive development. BNDES, ABDE, and the G20 Presidency's team occupy a special place within FiCS, which strives to position regional, national and subnational stakeholders as actors of change.

Since 2021, FiCS was recognized by G20 Finance Ministers and Central Banks Governors and contributes to the activities of the G20 Sustainable Finance Working Group (SFWG) and the International Financial Architecture Working Group (IFA). FiCS 2023 hosted a specific session with a presentation of upcoming G20 priorities by the Brazilian government.

Public Development Banks (PDBs) already help building a comprehensive agenda to support strong and just transitions towards a low carbon and climate resilient economy and ensure that people are not left behind in the process. With a volume of 23 trillion USD in assets and about 2.5 trillion USD in annual investments, – over 10% of total global investments –, FiCS brings together more than 520 public development banks (PDBs) from around the world. PDBs operate at scale, promote economic structural transformation worldwide, play a significant countercyclical role during crisis and actively contributes to the Paris Agreement and the 2030 Sustainable Development Goals Agenda. For instance, the 26 members of IDFC¹ reported a record high USD 288 billion USD in total green finance commitments in 2022 (+30% from 2021), of which 32 for adaptation (+50%). Over the same period, MDBs reported a 21% increase in climate finance to 99.5 billion USD, around 43% of their total financing (compared to 34% in 2021). Climate finance accounts for an average of 20% of total commitments made by IDFC members. If PDBs were to commit to similar ratios, they could extend more than 500 billion US\$ of climate finance per year and mobilize much more through the private sector if properly mandated and incentivized.

¹ International Development Finance Club

3. Objectives

To contribute to the Brazilian Presidency's objectives, in a manner consistent with a true 'whole-ecosystem' approach, Brazil's Ministry of Finance, BNDES and the FiCS Secretariat will be co-hosting a G20-FiCS Rio joint event, with select representatives from governments, PDBs and other FiCS stakeholders, alongside civil society organizations, to explore linkages and synergies between the FiCS agenda and the G20.

The technical meeting will focus on specific PDB contributions to G20 Finance Track, including the Sustainable Finance Work Group (SFWG), the Infrastructure Working Group, the Taskforce on climate finance mobilisation (TF CLIMA) and the International Financing Architecture Working Group (IFAWG). The event's recommendations will feed in and pave the way to the 2024 Finance in Common Summit, which will be hosted by the AIIB from 9 to 11 October.

The **FiCS-G20 Rio** will focus on four main topics that will be discussed in four different workshops :

1. **Global Financial Architecture and country platforms**

This working group will discuss the critical role of PDBs in the global financial architecture in a context where financial flows, both public and private, need to be reoriented and leveraged towards the Sustainable Development Goals (SDGs).

Thanks to public mandates anchored in their respective economic and social ecosystem, PDBs build bridges between governments and private sector, between domestic and international priorities, between global liquidity and local financial solutions, and between short-term objectives and longer-term impacts. Creating networks between PDBs of different sizes, maturity stages and operational capacities is essential to unleash their full potential as specific financial players. Global coalitions, such as IDFC and FiCS help PDBs ensure that their investments align with and contribute to the achievement of global agendas such as the UN SDGs, the Paris Agreement and the Kunming-Montreal Biodiversity Framework. Going forward, more synergies between multilateral development banks (MDBs) and other development banks could contribute to ramp up regional, national and subnational investments - including from the private sector - for global development outcomes.

Country platforms can enhance development cooperation significantly. For governments and partners embracing collaborative, risk-informed and adaptive ways of working, these platforms offer a more effective ecosystem for collective action towards global sustainable agenda. In a multilateral system under strain, rethinking how international partners can best support national strategies, promote capacities and capabilities, and coordinate international actions towards common goals, ensuring mutual accountability, is of paramount importance for countries to achieve their long-term objectives.

In this context, PDBs have an important role to play by building bridges between the political layer and the technical and financial platform. To do so, however, PDBs need to work as a system. It is imperative for policy makers to closely associate PDBs with the developmental process, integrating them into policymaking strategies. This upstream integration is crucial for PDBs to actively support the formulation and execution of national priorities aligned with the SDGs. While global frameworks have been designed by and for countries, policymakers should view PDBs as "SDG enablers" and adapt regulatory and policy frameworks to fully unleash PDBs' catalyzing potential.

Finally, the current momentum on MDBs' reform is a key opportunity to reflect on a broader redefinition of the global financial architecture. The latter should foster synergies and cooperation between all players – PDBs operating at different levels, as well as coalitions of private financiers or regulators - with a view to achieving the SDGs.

2. Concessional and innovative financial solutions for Biodiversity and Climate

Biodiversity finance represents a critical aspect of sustainable development, as biodiversity loss poses significant risks to ecosystems, economies, and human well-being. The commitment to align financial flows with the post-2020 Global Biodiversity Framework underscores the need to integrate biodiversity considerations into financial decision-making processes. Achieving this alignment requires the promotion of nature-based solutions, sustainable land management practices, and biodiversity friendly investment strategies across various sectors. Financial institutions play a pivotal role in either exacerbating or mitigating biodiversity loss through their investment choices and lending practices.

Mainstreaming mitigation and adaptation considerations into financial strategies and operations is essential for ensuring the long-term viability and sustainability of investments in the face of climate related risks and uncertainties. By mobilizing public and private financial resources through innovative mechanisms stakeholders can catalyze transformative change and accelerate progress towards a more sustainable and climate-resilient future. In the quest to optimize resource allocation and improve project implementation, this working group will strive to identify strategies to streamline the application process for climate funds. Their effective and timely utilization is put at risk by the complexity of access to these funds, especially for PDBs.

PDBs access to climate financing in order to expedite and scale up climate related initiatives is essential. In the quest to optimize resource allocation and improve project implementation, it is crucial to identify strategies to streamline the application process for climate funds. Their effective and timely utilization is jeopardized by the complexity of access to these funds, especially for PDBs. New initiatives such as the FiCS Financial Innovation Lab serve to showcase how innovative solutions are being tested with a view to being amplified or replicated by PDBs.

3. Increasing blended finance and private capital mobilization for resilient infrastructure

Engaging private capital in infrastructure development is essential for addressing the growing demand for resilient and sustainable infrastructure across the globe. This working group will explore how blended finance mechanisms, such as public-private partnerships (PPPs) and risk-sharing instruments, can support the mobilization of private investment towards infrastructure projects with long-term social, environmental, and economic benefits.

Integral to the Paris Agreement alignment is the redirection of private financial flows towards investments that support low-carbon technologies, sustainable infrastructure, and climate-resilient development pathways. Mainstreaming resilience and adaptation considerations into financial strategies and operations is essential for ensuring the long-term viability and sustainability of investments in the face of climate-related risks and uncertainties. By mobilizing private financial resources through innovative mechanisms, stakeholders can catalyze transformative investments, changing and accelerating progress towards a more sustainable and climate-resilient future.

Innovative financing solutions, including green and sustainable development bonds, infrastructure investment trusts (InvITs), and project finance structures, can help close the infrastructure investment gap by channeling private capital to sustainable projects, and facilitate the transition towards low-carbon and climate-resilient infrastructure systems. Additionally, leveraging guarantees, credit enhancements, and other risk mitigation instruments can help optimize the balance sheets of PDBs and attract private investors by sharing investment risks and enhancing financial returns. Furthermore, exploring syndication and securitization structures enables PDBs to pool resources, diversify risks, and mobilize capital at scale, thereby facilitating the financing of large-scale infrastructure projects with positive developmental impacts. The

objective of this working group is to explore mechanisms that attract substantial private investments while upholding social and environmental goals, aligning with the G20's focus on global governance reform.

4. Scaling local and subnational finance

Local and subnational governments are at the forefront of delivering essential services and tackling social and economic challenges faced by their citizens. This session will explore how to empower local and subnational actors by scaling up access to finance. Most PDBs operate at a national (52%) and sub-national (22%) level and have deep roots in local economic and social contexts. By strengthening local financial systems, critical issues like unequal access to basic services, infrastructure development gaps, and climate vulnerability, particularly in marginalized communities, can be addressed.

The collaboration between subnational actors (cities, regions, local public banks) and their peers is critical to further sustainable finance, and create a more cohesive international financial architecture. Reforms of MDBs and the modeling of national platforms play an important role in increasing the impact and efficiency of those subnational stakeholders. What specific measures and strategic adjustments can be undertaken by these different entities to ensure a more cohesive and synergetic partnership in the pursuit of shared development objectives?

4. Format and logistics

The FiCS/G20 Rio Joint Event will be articulated around two distinct parts. The first one, held on the morning of May 20th, will be a Seminar for high-level guests. The seminar will count on representatives of the Brazilian Presidency of the G20, Finance in Common, and Brazilian government authorities. The second part of the event will include two rounds of technical workshops, the first during the afternoon of May 20th and the second in the morning of May 21st. A plenary meeting will be held in the afternoon to summarize the reflections and conclusions of workshops, and wrap up the event.

The Seminar will target a larger public (around 350 people attending), while the workshops will be a select gathering (around 120 guests expected), with targeted invitations extended to key G20 working group members, Brazilian partners and FiCS representatives. The primary goal of the event is **to contribute concrete proposals that enrich the G20 and FiCS agendas**. It will be a platform to discuss identified topics, display relevant initiatives and reports, and promote a dynamic exchange between experts and decision makers.

Workshop participants will be split into 4 working groups. Each session will be introduced by a limited number of scenes setting presentations, followed by a moderated and interactive discussion between experts, avoiding individual institutional interventions. Seated around an O-shape table, each participant will have access to the microphone. Participants will attend two different working sessions, each one on a different topic among the four that will be discussed in the event.

Each topic will be moderated by two partner institutions, which will be responsible for preparing the run of show and anticipate the outcomes, which are meant to evolve towards a set of operational and strategic proposals to be taken up by the G20 Presidency. They would explain the steps that the group might take to innovate in solutions for sustainable development finance, encouraging new thinking on the role of PDBs, assessing how PDBs could contribute more actively through their operations or financing, and their connection with the private sector in sustainable development.

The event is co-organized by the FiCS Secretariat, the G20 Presidency and BNDES. The ABDE and Brazilian subnational development banks should also play a prominent role as well as the SFWG, IWG, IFAWG (co-chairs or members) and Task Force CLIMA. Language will be English.