MULTILATERAL DEVELOPMENT BANKS AND CLIMATE: IS THE TIDE TURNING?

Scaling-up green finance in Brazil: challenges for MDBs

Ivan Oliveira, PhD

FDL/Paris School of Economics and OECD: Paris and online, Dec. 8\textsuperscript{th} 2022.
Reviewing the role of green finance to foster development in Brazil

- Green development finance is essential for growth in any economy of the world, and even more important for developing countries.

- Mobilizing public and private resources is capital to achieve the SDGs and to increase the wellbeing of our citizens.

- Delivering to the sectors/regions/social groups in need:
  - to deal with inequalities must be at the core of the green finance agenda.
The renewal of development finance agenda.

Financial markets alone not always deliver good solutions and results, especially for poor and developing countries.

Uncertain returns and externalities are key for structural transformation of economies.

Time of radical uncertainty in the world.

Great challenges for green finance.
Reviewing the role of green finance to foster development in Brazil

• Private finance tends to be pro-cyclical.

• Public finance can be contra-cyclical.
  • NDBs and fiscal policy.
  • The role of MDBs.

• The goal: to find the best mix of private and public finance to deliver on green development imperatives.
Scaling-up green finance in Brazil: challenges for MDBs

• The global trend: going green!
  • 40% to 50% of the total volume of approvals should be connected to climate change mitigation or adaptation in the years to come in many MDBs strategic reports.
  • ESG is everywhere.

• What does that mean exactly!?  
  • Common grammar and vocabulary are needed.
  • Metrics for assessing the green impact of projects.
Scaling-up green finance in Brazil: challenges for MDBs

• MDBs operations in Brazil:
  • Relevant for growth and development in Brazilian economic history.
    • Adding up to the resources allocated to development and structural transformation.
  • Diversification of portfolio in sovereign and non-sovereign operations in some cases.
  • Growing competition among MDBs.

• The need of a National Strategy to deal with MDBs in Brazil, focusing on green development.
Projects being executed by MDBs in Brazil, as of November 2022.

<table>
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<tr>
<th>SOURCE</th>
<th>Nº OF PROJECTS</th>
<th>AMOUNT in US$</th>
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<td><strong>Total</strong></td>
<td><strong>113</strong></td>
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Source: Ministry of Economy of Brazil.
% n. of projects being executed by MDBs in Brazil, by sector, as of November 2022.

- Agriculture: 5, 4%
- Credit: 4, 4%
- Social Development: 14, 12%
- Urban Development and Mobility: 15, 13%
- Energy: 1, 1%
- Institutional Enhancement: 15, 13%
- Logistics and Transport: 3, 3%
- Environment: 2, 2%
- R&D and Innovation: 1, 1%
- Sanitation: 49, 43%
- Public Security: 14, 12%

Source: Ministry of Economy of Brazil.
## Projects being executed by MDBs in Brazil, by sector, as of November 2022.

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>Nº OF PROJECTS</th>
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<td><strong>Total</strong></td>
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Source: Ministry of Economy of Brazil.
Approved but not yet executed projects of MDBs in Brazil, as of November 2022.

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<th>SOURCE</th>
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% n. of projects approved but not yet executed projects of MDBs in Brazil, by sector, as of November 2022.

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<td>Total Geral</td>
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Source: Ministry of Economy of Brazil.
10 (re)fresh proposals to foster the role of MDBs in green finance in Brazil

1. The need to take the clients perspective/reality into account.
2. Connecting to real social and environmental assets/problems.
3. New waves of capital allocation to the MDBs.
4. Reimagining financial instruments.
10 (re)fresh proposals to foster the role of MDBs in green finance in Brazil

6. Flexibility.
   • Co-financing, transparency and coordination.

7. Assessing the impacts and managing the portfolio.

8. Navigating the power structures of finance.

9. Going beyond the usual goals and processes: a proactive agenda.

10. Values, good governance, and impact.
Thank you!

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