

Scaling up climate finance

The role of development finance institutions

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Green Transition in Latin America
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Open questions

Low Carbon Transition Investments? A must. But....

- Role of Development Finance Institutions?
- What makes DFIs relevant?
- And the partners to be?
- Ways forward?



Development Finance Institutions

- 526 DFI: USD 23 trillion in assets, behind **10% of world investments** (dfidatabase.pku.edu)
- 2019/20: worldwide, around **USD 650 billion for climate finance**, equally sourced by public and private institutions (climatepolicyinitiative.org)
- 2022, **IDFC** (International Development Finance Club) 26 members: **USD288 billion** for climate finance (climatepolicyinitiative.org)
- To achieved “adequate” climate change investments levels, **development banks => expand** finance 5 to 7 times, maintaining current “market share” vs other finance sources. Politically feasible? Institutional, resources and capabilities requirements?

What makes a DFI relevant?

- Consistent **political decision** over time
- **Scale/scope** to the specification of mission/mandates
- Appropriate instruments => **diversified portfolio and clientele**
- **Funding support** through different mechanisms
- **Capital strength**; long balance sheet
- **Collective decision-making** segregation of responsibilities
- **Embedded autonomy** (Evans 1995)
- **Quality of personnel**
- **Attitude to search**, develop and apply new solutions to changing development challenges

Partners to be?

Beneficiaries

- ✓ How to deal with different demands from different types of beneficiaries? How to choose? Those well established? The less advanced? “Small”? “Big”? **Where are they?**
- ✓ What to support? **How to finance the “new”?** Which type of resources to use?
- ✓ What to propose? What to expect? **Conditionalities, multipliers, externalities**, etc.?

Finance partners

- ✓ **How to leverage co-investors financial and non-financial resources?** “Blended finance”, “De-risking”: benefits for whom? Who gets what?
- ✓ **How to instill public values in private oriented institutions?**
- ✓ **Conditionalities?**

The challenges of “green” development finance

- **One swallow does not make summer.** Sustainable development demands concerted State actions. But... how to overcome the “silo syndrome”?
- **Uncertainty vs risk appetite.** Capital management tools and regulatory rules drawn to finance support of uncertain development challenges? Can “development appetite” models and tools be devised?
- Projected needs vs size and quality of the demand. **Where are the projects?**
- Uncertainty, again. Which **operational tools for challenging development projects?**
- Implementation. What are the **relevant capabilities and resources?** How to instil an innovative stand in leaders and technical personnel? **Network learning?**
- **Foresight:** the necessary attitude to **support complex decision-making**

One suggestion

- **Every development finance institution is unique**
- **And all are facing up new development challenges**
- **What to be done?**
- **Learn, be inspired from others**

Foster Learning Communities!

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