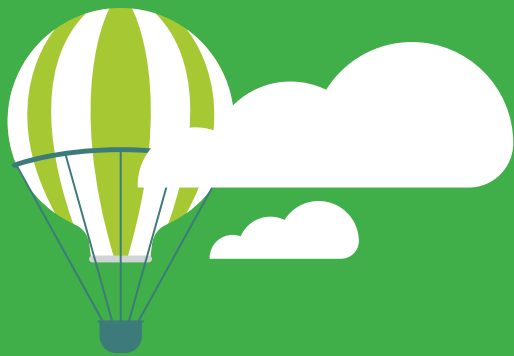


# GREEN FINANCE

---

BEST PRACTICES IN DEVELOPMENT BANKS

---





# Green Finance: Best Practices in Development Banks

1

## **Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil - Fundo Amazonia**

This initiative intends to minimize gas emissions produced by the Amazon forest deforestation and degradation in this country, and to allocate up to 20% of its resources to monitoring systems in other tropical zones or countries. The Fund's fund-raising mechanism is based on the results obtained in the reduction of gas emissions originated by the deforestation of the Brazilian Amazon. The Norwegian government has offered to donate funds for approximately US\$305 million that shall be delivered during the 2009 -2011 period. The Fund applications include the following areas: 1) public forests and protected areas management; 2) environmental control, monitoring and supervision; 3) sustainable forest management; 4) economic activities developed from the sustainable use of the forest; 5) ecological and economic zoning, territorial planning and land regularization; 6) conservation and sustainable use of biodiversity; and 7) recuperation of deforested areas. In its first year, 2009, the Fund has financed projects for approximately US\$40 million.

2


## **Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil Carbon Efficient Index - BNDES**

The Carbon Efficient Index (ICO2) allows companies with effective policies for environmental protection and reduction of carbon emissions in their industrial processes to issue shares linked to this index for capitalization and this reduce the cost of bank financing. Additionally, it generates incentives for the adoption of greenhouse gas emission (GGE) reduction policies and more investment opportunities are created for investors sensitive to environmental problems. The carbon efficient index is based on the IBrX50 index (index consisting of the most liquid stock) and the criteria of adoption are to normalize a simple to be able to compare different companies, assess their efficiency in terms of GGE emission, that is to say, the degree of exposure of the company income compared to their volume of GGE. In this way, the ICO2 intends to commit gradually the companies to adopt the best practices to reduce GGE. The main recipients are those interested in environmentally responsible investments and other investors that want to assess their exposure to carbon as a risk factor, the Brazilian stock market that stands at the forefront of other markets with an innovative and distinct product.

3

## **Financiera de Desarrollo Territorial S.A. (Findeter), Colombia Financing the Mitigation of Climatic Change**

The goal is to reduce the vulnerability of the population and their life styles before possible events produced by climatic change, to finance new and reconstruction projects for the attention and prevention of disasters in infrastructure, to support projects to reduce GGE, to foster efficient, clean and innovative practices in projects, minimizing impacts to the environments and the community, promoting sector approaches for climatic change mitigation. The projects financed under the offset rate mechanisms for reconstruction, through which the Central Government makes a contribution that corresponds to the difference between the cost of the resources and the special rediscount rate (soft rate), guaranteeing the financing of project execution. With this mechanism, with each dollar contributed by the government, 3 to 4 dollars may be generated in projects. The other mechanism is the energy efficiency line destined to reduce energy consumption of every kind of recipient and to allow financing greenhouse gas emission reduction actions. The amount of resources involved in these initiatives is US\$520 million, where Findeter executes public policies and articulates with the different ministries involved in this kind of projects, in charge of approving and certifying the technical and financial feasibility of the project.



The best practices presented below were recognized with the ALIDE Awards between 2010 and 2019.

4

### **Corporacion Financiera de Desarrollo (Cofide), Peru Cofigas**

It is a product for the financing of vehicular conversion to natural gas, which operates through one that registers the consumption information and repays the credit in a database. The capture of information is done by electronic equipment installed in the pumps of each NGV sales station. From 2006 to 2012, in Cofigas have converted 150 thousand vehicles, which have seen their fuel costs reduced by up to 67%, with which they pay the conversion credit in 11 months by applying 30% of their savings to that end. Likewise, almost 100 thousand new customers have been added to the financial system, which have generated some US \$ 731 million without considering financing by NGV buses. The income obtained by investors of NGV dispatch stations totals US \$ 910 million given the level of conversions. The income obtained by NGV conversion workshops that to date are more than 200 have generated more than US \$ 106.5 million conversions. As environmental benefits are the decrease of sulfur dioxide in 57% and solid waste suspended in the air by poor combustion of diesel in 38%, among others.

5

### **Banco de Inversión y Comercio Exterior S.A. (BICE), Argentina Financing Renewable Energy Program-Green Project Finance**

Argentina's renewable sources are only 9% of the matrix energy. With the objective of promoting the development of these energy sources, acting as an engine of financing and establishing a precedent for the financial system, BICE implemented a customized financing scheme for renewable energy development projects. BICE provides financing under a "project finance" scheme, in which the main source of repayment is the project's own flows. The main innovation of this line is the implementation of an analysis structure, which is complemented with guarantee tools. The loans granted are made through various structures: loans, co-financed loans and trusts. With the financed projects, 7,000 jobs were created, investments for more than US \$ 2,250 million, more than 2 million tons of CO<sub>2</sub> were avoided, and the energy matrix was diversified.

6

### **Nacional Financiera S.N.C., (Nafinsa), Mexico Mexican Financing Sustainable Projects Program**

Aimed at promoting new energy projects in Mexico that may lead to ecological, economic and social development, based on the best use of natural resources with added value. Currently, Nafinsa portfolio is comprised by 9 eolic parks, a photovoltaic solar park, a mini hydroelectric plant and two cogeneration projects, with a credit volume of around US\$815 million, a total investment equivalent to US\$6,000 million, an installed capacity of 2.8GW, and the annual potential reduction of 7.2 million tons of CO<sub>2</sub>. Nafinsa contribution of own resources was US\$798, which means an investment leveraging capacity 11.3 times.



# Green Finance: Best Practices in Development Banks

7

## **Sociedad Hipotecaria Federal S.N.C. (SHF), Mexico EcoCasa Program**

The objective is to contribute to the efforts of the Mexican government to fight the climate change by financing the construction of affordable houses low in carbon emission (CO<sub>2</sub>), helping to reduce energy consumption and expenses in the families, reducing the emission of greenhouse gases and reinforcing public policies and the government initiatives altogether. For this reason, the EcoCasa program has very ambitious goals for 2019: building 27,600 efficient houses and the reduction of one million tons of CO<sub>2</sub> in the 40 years of the estimated life cycle of the houses. To complement the financial incentives to developers, EcoCasa provides technical assistance to help them generate proposals of houses where the reduction of energy consumption, of the expenses in gas and/or electricity and a high level of comfort are priority factors. As of March 31, 2016, the program granted credits for US\$224.5 million and 19,315 houses were signed for, of which 13,881 have already been built for the benefit of around 75,000 Mexican citizens. These houses are located in different states, thus covering the main bioclimatic areas in the country.

8


## **Banco Nacional de Obras y Servicios Públicos S.N.C. (Banobras), Mexico Mass Transport Program (Protram) and the Urban Transportation Transformation Program (PTTU)**

The objectives of the program are to promote projects that involve a reduction of greenhouse gas emissions (GHG) and generate a transformation in the mobility of Mexican cities. To date, it has financed the development of integrated transport systems to reduce CO<sub>2</sub> emissions: integrated mass transit corridors and complementary investments; acquisition of equipment and vehicles with technology and scrapping of transportation units. Currently, 21 projects of mass urban transport have been identified. Of these, 10 are already in operation and 11 are under construction. They have 5.5 million trips per day.

9

## **Institute for the Development of Antioquia (IDEA), Colombia Strengthening the Local Economy and Low Carbon Growth**

IDEA acts as a promoter of the country's energy transition, through the creation of a financing line with which it was sought to improve the operation of the program "Strengthening the Local Economy and Low Carbon Growth", fulfilling its objective of financing sustainable projects under schemes that allow correcting market failures, preserving the environment, and generating sustained income for the municipalities, since they are partners and owners of small hydropower plants. To date, the projects of non-conventional renewable generation that are in operation and under construction correspond to 5 small hydropower plants, whose total investment amount is USD 132 million, of which USD 88 million are financed by the IDEA, USD 21 million correspond to the capital contributions made by the public partner, in this case the IDEA; the remaining money is contributed by the private partners. In addition, the number of tons of CO<sub>2</sub> prevented per year amount to 163 415; that is to say, an equivalent of 1.7 times the number of tons of CO<sub>2</sub> per year are prevented with respect to the amounts of the projects financed between 2008 and 2015.



The best practices presented below were recognized with the ALIDE Awards between 2010 and 2019.

10

### **Kreditanstalt Für Wiederaufbau (KfW), Germany Eco.business Fund**

The eco.business Fund promotes the financing of companies that adopt forms of production and sustainable technologies in the sectors of agriculture, forestry, fishing and tourism. Investments are channeled through local financial institutions to which the fund provides long-term debt solutions. In addition, it highlights its ability to provide technical assistance to financial intermediaries and their clients to facilitate the implementation of their products. The purpose is to achieve that in the medium term the local financial intermediaries decide to invest in the sustainable sector on the basis of purely commercial considerations, without relying on the support of the eco.business Fund. Since its creation, it has mobilized USD 213.5 million in capital, of which USD 38 million comes from the private sector. Currently, some of its investors are KfW, the German Government, the European Union, the United Kingdom, FMO, OeEB (Austrian Development Bank), Finance in Motion, Conservation International, Calvert Foundation, GLS Bank and ASN Bank. At the close of the first quarter of 2018, the Fund had already disbursed USD 170.4 million to 10 financial institutions in 6 countries, resulting in loans to more than 950 local companies.

11

### **Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil Fundo Amazonia**

This initiative intends to minimize gas emissions produced by the Amazon forest deforestation and degradation in this country, and to allocate up to 20% of its resources to monitoring systems in other tropical zones or countries. The Fund's fund-raising mechanism is based on the results obtained in the reduction of gas emissions originated by the deforestation of the Brazilian Amazon. The Norwegian government has offered to donate funds for approximately US\$305 million that shall be delivered during the 2009 -2011 period. The Fund applications include the following areas: 1) public forests and protected areas management; 2) environmental control, monitoring and supervision; 3) sustainable forest management; 4) economic activities developed from the sustainable use of the forest; 5) ecological and economic zoning, territorial planning and land regularization; 6) conservation and sustainable use of biodiversity; and 7) recuperation of deforested areas. In its first year, 2009, the Fund has financed projects for approximately US\$40 million.

12

### **Export-Import Bank of India (Exim Bank) Sustainable Financing Programs**

Exim bank includes among its financing strategy and policies elements for linking up with the "Sustainable Energy for All" program, a United Nations initiative. It considers that renewable energy sources are crucially important because they contribute substantially to environmental and climate protection. The Bank, accordingly, facilitates financing for clean energy and sustainable projects. This can be seen from the proposals that the Bank has considered over the years since its wind energy financing program was created, with plant projects in India and abroad, in and out-of-network solar energy projects in India, and the construction of hydroelectric projects, among many others. What is most important, the Bank has been innovative in their financing by offering long-term competitive and concessional costs. A key objective for Exim Bank India is, among others, to provide financing in order to allow for the transition to a low-carbon economy, Exim Bank India is also playing a leading role in the configuration of the rapidly developing green bonds market. The Bank is working together with governments, investors and other finance institutions to improve transparency and create appropriate conditions for supporting long-term investment in environmentally sustainable projects.

