

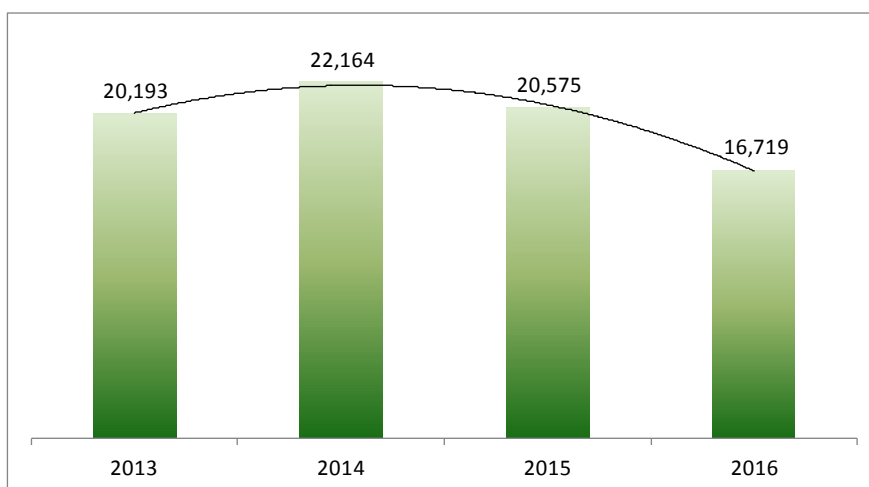
DFI (multilateral, regional and national development banks) alignment with climate finance and NDCs in LAC countries

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1. Current situation of climate finance in LAC

In 2016, the resources addressed to finance climate initiatives in the LAC countries accounted more than 16.7 billion dollars. Compared to 2015, when they reached a little over 20 billion, the resources of 2016 are considerably lower. This important setback is mainly based on the behavior of Brazil, whose political-economic crisis has significantly affected all its investments, especially in the last two years. Figure 1 describes the resources allocated to climate change between 2013 and 2016 in LAC.

Figure 1
Climate finance evolution in ALC from 2013 to 2016
(In billions of dollars)

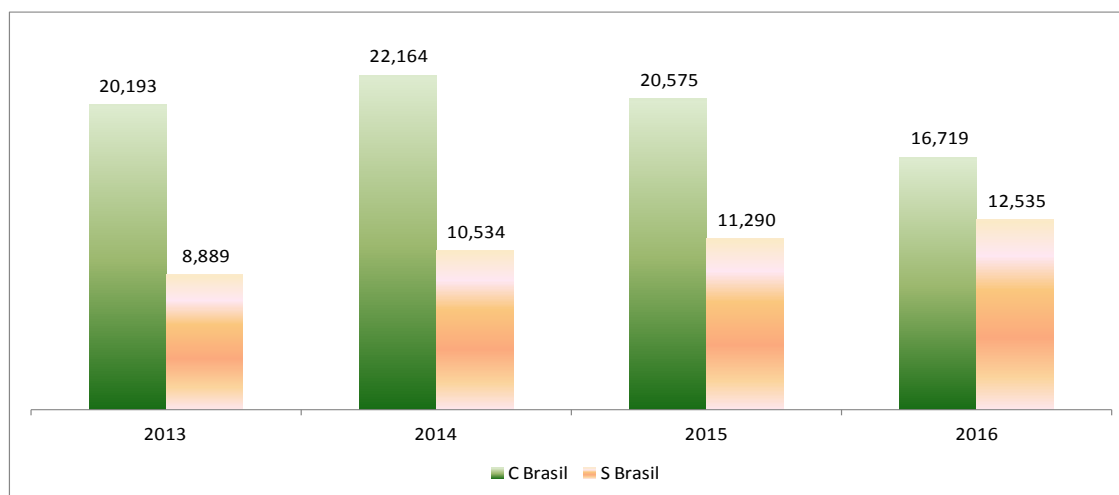


Source: Samaniego and Schneider, 2018.

However, without Brazil the region has shown a very positive behavior. The amount of climate related resources has risen for 8.8 billion to 12.5 billion dollars, a significant grow of 29%, between 2013 and 2016, as can be seen in figure 2.

¹ Samaniego, JL and Heloisa Schneider, 2018. Financiamiento para el cambio climatico en América Latina y el Caribe 2013-2016 (forthcoming publication)

Figure 2
Climate finance evolution in ALC from 2013 to 2016: with and without Brazil
(In billions of dollars)



Source: Samaniego and Schneider, 2018.

2. Current situation of climate finance actors in LAC

The MDB and NDB presence in LAC Countries in the last four years, in accordance with our annual report on climate finance in LAC:

- a. MDBs participation in the region grew from 29% in 2013, to 44% in 2016.
- b. The participation of the regional MDBs, Inter American Development Bank Group (IDB Group), the Development Bank of Latin America (CAF), the Central American Bank for Economic Integration (CABEI), and the Caribbean Development Bank (CDB), grew by 18% between 2013 and 2016. In 2016, they account for 37% of the total.
- c. The funds of the European Investment Bank represented 2% of the total resources approved in 2016. In average, the EIB participation has been around 3% yearly.
- d. The World Bank presence is not significant. In 2016, it represented just 4% of the total, down two-thirds last year in absolute terms.
 - i. The main focus of the WB's own resources in LAC in 2016, were water (30%), the generic social, urban, rural and resilience global practice (27%) and the transport and ITC sectors (26%).
 - ii. As climate funds implementer, WB managed 88 million dollars in the last four years, and disbursed 15,3 million dollars on behalf of the Partnership for Market Readiness, an initiative focused on carbon markets (Emissions Trading System, ETS).
- e. NDBs participation decreased from 59% in 2013, to 28% in 2016, because of the drop of all NDBs included in our report, but specially, because of the Brazilian development bank (BNDES), whose finance capacity in general and specifically in climate matters suffered an important downfall in the last two years:

the reduction in the participation of the BNDES reached 56% between 2015 and 2016. The other national development banks included in the report fell by an average of 33%. (Table 1)

Table 1
Climate finance in LAC, 2013-2016

Años	Amount	Climate funds	MDB	NDB	Other local funds	Climate bonds	Total
2016	Total	401,93	7 308,56	4 612,71	706.867	3 689,37	16 719,44
	% of total	2,4	43,7	27,6	4,2	22,1	100,0
2015	Total	350,12	8 293,15	9 684,15	1 184,24	1 063,75	20 575,41
	% of total	1,7	40,3	47,1	5,8	5,2	100,0
2014	Total	465,60	7 857,32	11 858,37	1 740,40	242,00	22 163,69
	% of total	2,1	35,5	53,5	7,9	1,1	100,0
2013	Total	274,82	5 923,49	11 884,00	2 110,65	-	20 192,96
	% of total	1,4	29,3	58,9	10,5	0,0	100,0

Source: Samaniego and Schneider, 2018.

i. Climate vs regular finance.

On average, climate related investments represent 14% of the total investments of the different institutions in 2016, almost six points less than in 2015. The downward trend was strongly driven by local development banks. These not only have not advanced in the decarbonization of their portfolio, and they have experienced setbacks, which in some cases have been very significant. The WBG also reduced its contributions to climate initiatives in the region. (Table 2)

Is important to note, that the WBG set a goal of 28% of climate funding by 2020. Among the regional institutions, IDBG set a goal, to reach 30% by 2020 and practically met this objective already.

Table 2
Net Climate vs regular investments in climate change matters in LAC in 2015 and 2016
(Billions of dollars)

Institution	2015			2016		
	Total	Climate	% of total	Total	Climate	% of total
World						
World Bank Group	59,78	10,72	17,9	64,20	11,49	17,9
European Investment Bank	19,61	5,14	26,2	20,18	4,27	21,1
Latin America and the Caribbean						
World Bank Group in LAC	6,00	1,93	32,2	8,20	0,70	8,5
IDB Group	11,30	2,40	21,2	9,30	2,70	29,0
Central American Bank for Economic Integration	1,80	0,47	26,2	2,10	0,82	38,9
Development Bank of Latin America (CAF)	12,20	2,80	23,0	12,40	2,60	21,0
Caribbean Development Bank	0,29	0,03	11,6	0,31	0,17	56,5
BNDES (Brasil)	32,39	9,28	28,7	25,62	4,20	16,4
Bancóldex (Colombia)	1,64	0,03	1,9	1,28	0,02	1,5
NAFIN (México)	20,37	0,37	1,8	20,01	0,26	1,3
Total	85,99	17,31	20,1	79,22	11,47	14,5

Source: Samaniego and Schneider, 2018.

3. NDCs in LAC countries: implementation scenarios

- a. According to the IFC², the Paris Agreement created investment opportunities of close to 23 trillion dollars between 2016 and 2030 in key sectors: renewable energy, energy transmission and distribution, industrial energy efficiency, infrastructure, waste and transport. For LAC, the region with the greatest potential after China, the investment possibilities of Argentina, Brazil, Colombia and Mexico would together reach 2.6 trillion dollars. 60% of these for transport infrastructure.
- b. The amount of total resources needed by the ten countries of LAC, which included this information in the commitments submitted to the UNFCCC, would reach 51 billion Dollars. The rest of the countries of the region did not include this information, so their actual dimensions and associated needs are unknown, which undoubtedly far exceed this amount.
- c. Brazil presented its NDC in 2015, but did not quantify the financial needs of its commitments and did not consider conditional compliance targets. However, according to a study prepared by the IDB, commissioned by the Brazilian Ministry of the Environment, the total cost of implementing the proposed agenda in the NDC could reach 1% of GDP annually, until 2030, which would mean, between 890 billion and 950 billion reais in the next 13 years (BID, 2017³).
- d. The main objective of the study commissioned by the Environment Ministry of Brazil is to propose an implementation strategy of their NDC. This initiative may be considered the first one in the region
- e. In the most LAC countries, NDCs are not yet integrated into national development strategies and budget processes and countries have made little progress in implementing clear and consistent policies and ensuring the inclusion of climate considerations in other sectorial policies. The scarcity of resources from national budgets should be used as a strategy to mobilize private funds.
- f. The IDB Group has been very active in climate initiatives⁷ in LAC and has commonly involved different actors as ECLAC in activities such as the development of technical documents, seminars and as peer reviewers of its own publications. The Group has also been active in developing specific climate finance solutions such as the NDC Invest⁴, and tools such as the Latin American and Caribbean Green Financing (LGF)⁵ Platform. More recently, in response to a request of the Environment Ministry of Brazil, published a proposal for the Brazilian NDC implementation strategy.

² IFC (International Finance Corporation) (2016), Climate Investment Opportunities in Emerging Markets | An IFC Analysis. En https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES

³ BID, 2017. (2017), Documento-base para subsidiar os diálogos estruturados sobre a elaboração de uma estratégia de implementação e financiamento da Contribuição Nacionalmente Determinada do Brasil ao acordo de Paris. En http://www.mma.gov.br/images/arquivos/clima/ndc/documento_base_ndc_2_2017.pdf

⁴ Platform to support climate commitment implementation. To help countries access resources needed to translate national climate commitments into investment plans and bankable projects.

⁵ knowledge exchange Platform that has been developed to respond to a demand of National Development Banks (NDBs) and other institutional players in the financial market for sharing information and knowledge about green financing.