

# ENHANCING CLIMATE FINANCE WITHIN THE BANKING SECTION IN LATIN AMERICA



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**What is the readiness challenge being addressed, and how will readiness support activities advance the solution/outcome identified?**

**Partner:** Latin American Banks Federation. FELABAN

**Target group:** Private banks

**National circumstance:** In Guatemala private financial sector has expressed interest in environmental topics. As Government we understand that NDCs commitments need private financial sector engagement.

**Regional circumstance:** Some countries have advanced national processes to engage banking sector in sustainability agenda



## What is the readiness challenge being addressed, and how will readiness support activities advance the solution/outcome identified?

The regional financial readiness will allow to obtain baseline information on green portfolios of private banks, including:

- Good financial practices and knowledge management to promote climate action in private banks
- Financial mechanisms and products for climate change adaptation and mitigation
- Access to climate finance



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## Progress to date

### **In Guatemala:**

- With current approved Readiness project for Guatemala, we have started key stakeholders identification in banking sector
- Meetings held with Minister of Finance and Planning Secretary of the Presidency to address this investment opportunity

### **At the regional level:**

- Felaban expression of interest to advance a readiness proposal for presentation to the GCF in 2019. Draft regional proposal developed



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## The delivery partner

- Non-profit institution, established in 1965, based in Colombia.
- Second-level regional institution, with 19 banking associations and more than 623 FIs as members.
- FELABAN is part of the Sustainable Banking Network (SBN), led by the IFC, since 2016.
- Mission: Accompany the transition of the regional banking sector towards a more sustainable business model in environmental terms.



**FELABAN**  
FEDERACION LATINOAMERICANA DE BANCOS



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## Felaban and GCF

- ✓ May 2019, DED, J. Manzanares invited to Felaban and ALIDE Board Meetings, to present windows of opportunities of the GCF for engagement with private and development banks



- ✓ Decision of Felaban Board to advance presentation of a readiness proposal





## Expected Results and Next Steps

### Results:

- Understanding of new financing instruments available for private banks and its fiduciary conditions.
- Identification of potential banks to become Accredited Entities
- Potential new financial instruments (credits, insurance, others) with concessional conditions
- Concept notes to present Funding Proposals to the GCF for private banks investment in climate change



## Expected Results and Next Steps

### **Deliverables:**

- Brief informative brochure to raise private banks awareness about the recent IPCC report and impacts to the financial sector in LAC
- Pilot of characterization of climate portfolio and status of environmental and social safeguards in private banks of one country in LAC region
- Analysis of alignment of private sector instruments with NDCs, and GCF Country & Entity Work Programs and recommendations regarding monitoring and impact assessment of the environmental and climate financing programs of private banks



## Expected Results and Next Steps

### Deliverables:

- 3 platforms for sustainable and climate finance established and/or strengthened
- Assessment of the situation and recommendations of potential private banks to become accredited entities, including exchange of experiences and training / technical assistance for accreditation process.
- Analysis of existing regulatory frameworks for banking sector and recommendations for improvement regarding climate investments



## Expected Results and Next Steps

### **Deliverables:**

- Report on barriers, opportunities and characterization of new green products and route map for adoption
- Communication strategy to socialize the results
- Training program for development gender policies and environmental and social safeguards
- Innovative climate financial instrument pilots
- 2 project concept notes
- PPF application documents developed



## Expected Results and Next Steps

### Next steps:

- Finalize consultations with countries and coordinate the expression of financial support from the 3 countries that proposed to finance the proposal allocating their remaining funds of the year (Guatemala, Panama and Paraguay).
- Present the proposal by August 31, 2019.
- Receive any additional comments during the review period.



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