Source of Capital

National Development Banks

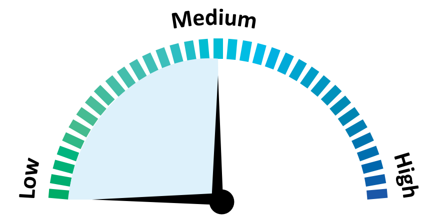
Type Of Entity	National Development Banks
Investment Stage	Depends on strategy and national objectives; from early to late stage
Impact	Prioritizes social, economic, and environmental impact. Fosters economic development.
Instrument	Debt, equity, guarantees and grants. Commercial and concessional
Supplier Of Concessional Capital	YES NO

Description

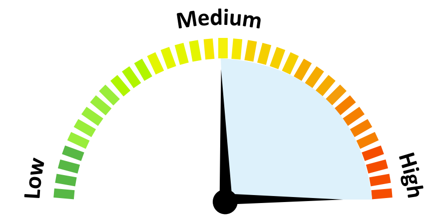
National Development Banks (NDBs) are important tools for governments to fund initiatives that foster economic development in the country.

National Development Banks are typically funded with taxpayer funds, and as stewards of public capital, NDBs often intentionally crowd in private investment, stimulating job creation and supporting SMEs and local businesses. NDBs play a critical role in catalyzing transformational climate investments by increasing financial inclusion, facilitating counter-cyclical finance, encouraging innovation by incubating markets, financing green infrastructure, fighting short-termism, and promoting environmental sustainability, and have proved to be pivotal in incentivizing clean investment at the local level, often with support from bilateral and multilateral development institutions.[1] Between 2019 and 2020, NDBs contributed to US$120 billion in climate investments globally.

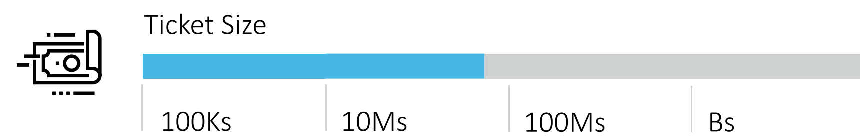
1 For example, the Brazilian Development Bank (BNDES) has invested over US$33.5 billion in Brazil's renewable energy sector since 2004. In Mexico, the national development bank (NAFIN) played a key role in the country's wind sector, channeling US$70 million in resources from the Clean Technology Fund (CTF)



Relative Return Requirement



Relative Risk Appetite



Recommended Actions By Key Source Of Capital

Some suggestions for what National Development Banks can do more of to enhance Just Financing outcomes include:

- Incorporate Just Financing Principles into all financing modalities and specifically develop approaches to generate robust pipelines of climate-investment (mitigation and adaptation) within the country.
- Ensure projects funded as part of a country's Nationally Determined Commitments (NDC) are consistent with and reflect Just Financing Principles.
- Ensure that all funding deployed integrate climate-related risks assessments, and that investments reflect (in their financial structure) incentives for low-carbon, climate resilient investment.
- Significantly ramp-up financing in instruments to sectors/market segments that support green transition, but where financial flows are limited (e.g. MSME/SME), such as equity financing, or low-cost debt financing.
- Originate and arrange financial transactions for climate aligned projects and mobilize investments in consistent structures, so that (where possible) these portfolios can then be packaged and securitized for national/international investors (including bilateral/multilateral) investors, and if required placing them into Blended Finance Vehicles.
- Create national level Blended Finance Vehicles/Funds, working where needed with bilateral/multilateral and donor investors, to create investment assets that meet the fiduciary obligations of private sector investors.
- Establishing KPIs that will significantly increase the volume of investment these organizations arrange and distribute to private investors, while fully deploying their capital consistent with prudential requirements.
- **Aggregate and share reliable transaction data among all financial stakeholders** to more effectively bring together different types of capital for low-carbon, climate-resilient, just financing opportunities.