

Alianza de Desarrollo



ALLIANCE
OF SUBNATIONAL
DEVELOPMENT BANKS
IN LATIN AMERICA
AND CARIBBEAN

ALLIANCE OF SUBNATIONAL DEVELOPMENT BANKS IN LATIN AMERICA AND THE CARIBBEAN

ACTIVITY REPORT
Year 1 ▪ 2021-2022



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THE CARIBBEAN**

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ACKNOWLEDGEMENTS

The volume and the high quality of the work carried out by the Alliance of Subnational Development Banks (SDBs) in Latin America and the Caribbean and developed in this report could not have been achieved without the precious commitment of its members.

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EXECUTIVE SUMMARY

THE ALLIANCE IN A NUTSHELL

The **Alliance of Subnational Development Banks* (SDBs) in Latin America and the Caribbean** was launched in April 2021 by the French Development Agency (AFD), the Development Bank of Minas Gerais (BDMG), the Global Fund for Cities Development (FMDV) and the Institute for Sustainable Development and International Relations (IDDRI), within the dynamic of the **Finance in Common Summit (FICS)**. The FICS is the global summit which gathers over 500 Public Development Banks (PDBs) committed to finance the implementation of the global agenda.

Based on peer to peer and multistakeholder exchange, the Alliance strives to reinforce capacities and amplify the potential of SDBs through enhanced cooperation with all stakeholders committed to financing just urban and territorial transitions.

The Alliance is driven by shared objectives:

- 1** **Align SDBs' strategies**, standards, initiatives, investments, and portfolios with the UN 2030 Agenda and its sustainable development goals (SDGs) and the Paris Agreement on climate;
- 2** **Diversify SDBs' technical and financial services** to local governments and local actors;
- 3** **Promote SDBs' sustainable investments** through urban and territorial development projects portfolios and boost the financial urban and municipal markets.

***Subnational Development Banks (SDBs)** are public development banks (PDBs) or public financing institutions supported by national governments or states, with the specific mandate to provide funding to local governments and stakeholders and subnational urban investment.

The Alliance constitutes a strategic space for dialogues with peers, development institutions, governments, municipalities, and technical and financial partners in the region. It enhances the strategic role of SDBs and the contribution of the Alliance to the global agendas in international fora.

Its multi-stakeholder Steering Committee counts 23 members representing subnational development banks and their networks, development finance institutions, local governments networks, research and academic institutions, international organizations:

- ▷ Brazilian Association of Development – ABDE
- ▷ Central American Bank for Economic Integration- CABEL
- ▷ Corporación Financiera de Desarrollo S.A. – COFIDE
- ▷ Desenvolve São Paulo
- ▷ Development Bank of Minas Gerais – BDMG
- ▷ Economic Commission for Latin America and the Caribbean – UN-ECLAC
- ▷ European Investment Bank – EIB
- ▷ European Union – EC-INTPA
- ▷ French Development Agency – AFD
- ▷ Global Fund for Cities Development – FMDV
- ▷ Guarantee Fund of Buenos Aires – FOGABA
- ▷ Ibero-American General Secretariat – SEGIB
- ▷ Institute for Sustainable Development and International Relations – IDDRI
- ▷ Instituted Trusts in Relation with Agriculture - FIRA
- ▷ Inter-American Development Bank – IDB
- ▷ Latin American Association of Development Financing Institutions – ALIDE
- ▷ Latin American Development Bank – CAF
- ▷ Plata Basin Development Bank – FONPLATA
- ▷ Southern Brazil Regional Development Bank – BRDE
- ▷ United Cities and Local Governments – UCLG
- ▷ United Nations Development Programme – UNDP
- ▷ World Bank
- ▷ World Resources Institute – WRI

Its secretariat is managed by FMDV, Fonds Mondial pour le Développement des Villes, or Global Fund for Cities Development.

To **join the Alliance**, and participate in its activities please contact the Secretariat to **endorse the Joint declaration of the Alliance**¹.

Contact : FMDV, Alliance Secretariat: Ms Émilie Maehara, emaehara@fmdv.net
Ms Libertad Sobrado, Isobrado@fmdv.net

¹ Read the Declaration here: tinyurl.com/yy49635z

FOREWORD

Following the November 2020 high-level event on Financing Local Action and Resilient Cities: The Role of Subnational Development Banks (SDBs), organized as part of the first edition of the **Finance in Common Summit (FICS)**, FMDV invited AFD to launch an **Alliance of Subnational Development Banks in Latin America and the Caribbean** (hereafter referred to as the “Alliance”).

FMDV built on its advocacy work to promote the recognition of SDBs in global agendas, as well as its technical assistance support aiming at reinforcing capacities of SDBs at national and regional levels in several geographies – specifically in Africa, since 2014.

This initiative was also strongly supported by Banco de Desenvolvimento de Minas Gerais (BDMG) and IDDRI, which became founding members of the Alliance together with AFD and FMDV.

The Alliance of SDBs in LAC was officially launched in April 2021. The launch mobilized 240 participants and counted with over 20 interventions of CEOs and high-level representatives from SDBs and Development Finance Institutions (DFIs) engaged in the region along with local governments’ representatives².

Thanks to their intermediation role, SDBs, which are financing institutions supported by national governments or states, with the specific mandate to finance local governments, have a great potential to unlock and localize multiple sources of funding and to consolidate portfolios of subnational investments.

² Among the speakers at the launch were included the CEOs of AFD, Banco da Amazônia, BDMG, BRDE, CABEL, CAF, COFIDE, FINDETER, FIRA, FMDV, Fogaba, Fonplata, IDDRI, SEIB, UCLG; as well as high-level representatives of the European Commission, IDB and The World Bank, and the Secretary General of the Finance in Common Summit.



SDBs gained significantly growing international recognition in the United Nations agenda in view of bridging the subnational investment gap to allow the implementation of global agendas (Sustainable Development Goals, Paris agreement).

More precisely, under the impetus of FMDV, mentions of SDBs have been included in the New Urban Agenda – with the support of the French government (2016 Habitat III Conference, and 2022 United Nations General Assembly “Quito + 5” Conference).

Since 2019, the Marrakech Partnership for Global Climate Action (MPGCA) – the United Nations Climate Change (UNFCCC) platform of non-state actors led by COP’s high-level Climate Champions – recognizes and supports SDBs and their Global Alliance, as one of the most transformative solutions at global level to unlock financing for the climate transition at the subnational level. The MPGCA supports – through its Climate Action Pathways for “Human Settlements” and “Finance” – the reinforcement of SDBs and their Global Alliance, presenting them as key entry points to unlock climate finance for cities and regions³.

The Global Alliance of SDBs was initiated, during the 2019 UN Secretary General’s Climate Summit, by the Government of Cameroon, the Network of African Local Government Finance Institutions (Réseau des institutions africaines de financement des collectivités locales - RIAFCO), which is the first regional Alliance of SDBs in Africa, and FMDV, which is RIAFCO’s strategic partner since its creation.

FMDV reports on the progress of the Global Alliance on a regular

³ See references to SDBs in the UNFCCC Finance Climate Pathway: tinyurl.com/c3vmpn7p - Vision and summary: tinyurl.com/2z2ft6ju (pages 4, 9), Action table: tinyurl.com/mr4awk2j (pages 63, 64, 87, 92, 93, 96, 99, 100) and in the Human Settlements Climate Pathway: tinyurl.com/mrybtvxa, and its Action table: tinyurl.com/mryr2nr8 (pages 3, 29, 39), negotiated by FMDV, as MPGCA focal point for cities climate finance.

basis in several UN fora including the MPGCA during Climate COPs. The establishment of the Alliance in Latin America and the Caribbean constitutes a **new regional chapter of the Global Alliance of SDBs.**

After one year of existence, **the Alliance is considered as one of the most dynamic initiatives of the FICS** with respect to the pace and quality of its activities – workshops, knowledge products, advocacy, as well as the mobilization of a wide range of members.

Its members **actively participated** in pursuing their shared goals including **developing SDBs’ capacities** and **strengthening their cooperation** with key institutional, financial and technical partners (DFIs, National and Local governments, etc...), in order to unlock financing for a sustainable transition in Latin America.

Workshops were attended by 100 to 200 participants each. Moreover, the mobilization of multiple sources of funding from its Steering Committee members – on a voluntary basis – to develop the activities of the Alliance demonstrated a strong sign of ownership and commitment. This perfectly underlines both the needs for such an initiative and the keen interest shown by the stakeholders.

This document reports on the **December 2020 - August 2022** activities.

It underlines **the role of SDBs in bridging the subnational financing gap** and the **objectives** of the Alliance; recalls the **structure** and the **governance** of the Alliance; then, it details each **activity**, through a thematic approach.

RATIONALE AND OBJECTIVES OF THE ALLIANCE

BRIDGING THE SUBNATIONAL FINANCING GAP



Representing 80% of the LAC population, cities offer unprecedented risks as well as opportunities when it comes to tackling climate change challenges.

The last Intergovernmental Panel on Climate Change (IPCC) report stresses the high vulnerability to climate change of the LAC region, which records one fourth of the climate disasters registered in the world over the last 15 years. Cities are hotspots for climate change – extreme temperatures, dryness, or unexpected flooding. They represent a risk (deforestation, soil degradation, etc.) impacting biodiversity – one of the most diverse in the world– as well as national and local economies, strongly dependent on natural resources.

At the same time, cities represent the main engine of growth and play a catalyzing role for development as well as innovation. Cities are at the core of the transition to low-carbon and of a more inclusive model of society⁴.

Moreover, the international community recognizes the strategic role of regional and local governments towards the achievement of the global agendas, particularly the UN 2030 Agenda and its SDGs as well as the Paris Agreement on climate (both adopted in 2015). Likewise, sustainable urbanization

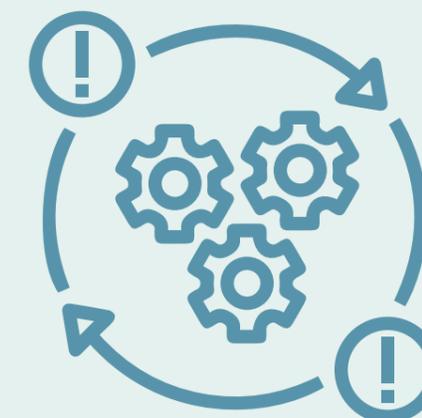
and SDG #11 represents a key entry point to accelerate structural changes.

However, while the entirety of required resources have been made available to achieve the SDGs, these still fail to reach the local level. This prevents the financing of the needed infrastructure to build resilient cities and achieve global agendas.

As of today, less than 10% of available global climate funds disbursed are targeting local climate investments.

We are facing a subnational financial market systemic failure with an insufficient connection between the supply and the demand sides. Despite many credit lines, instruments and facilities set up for sustainable urban development, local and regional governments and stakeholders still hardly have access to the required financing. This concerns both project preparation and necessary investments, in line with global agendas.

This systemic failure is mainly due to inadequate institutional frameworks, a lack of expert human resources and financial engineering capacities. Local and regional climate projects are most often considered to be either too small, or “not bankable” enough – they also suffer from a lack of specific guarantee schemes for subnational levels of climate action. These impediments have a direct impact on local and regional governments’ creditworthiness and act as a major obstacle to subnational climate action.



⁴ See the Regional assessment report on disaster risk in Latin America and the Caribbean - RAR 2021: tinyurl.com/mmerk8ds

Because of their specific subnational mandate, SDBs have a unique role to play in order to bridge this subnational financial gap.

Although SDBs are diverse in terms of status or operating modalities, they share a core mission as public development banks or institutions supported by national governments or states. Their mandate is to provide subnational financing to local governments and to local stakeholders, for local public services provision and infrastructure projects.

As public development banks, they benefit from three attributes:



By complementing intergovernmental transfers to local governments and fiscal equalization, SDBs can **provide a large panel of financial and non-financial instruments to unlock and broaden the sources of funding at local level.** Within which guarantees, credit enhancement, debt, equity, concessional or market rates. And this, directly, through commercial banks. SDBs can also provide non-financial services such as technical assistance for project preparation.

As “last-mile experts”, SDBs can expand sources of domestic or international public (as well as private) funding and channel them to the local level – including for intermediary cities.

They are:



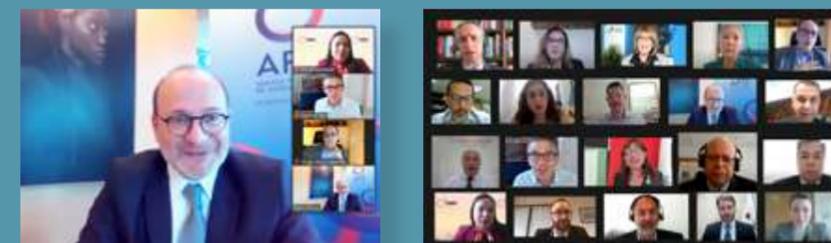
SDBs can act as **focal points for local financing**, pooling the demand for local projects and matching them with investments from public and private resources. SDBs are “market and policy-makers” able to structure subnational financial markets in the long term and align sustainable local development with the global agendas.

THE ALLIANCE'S GOALS



The Alliance of SDBs in LAC aims at **reinforcing the capacities of SDBs to fully deploy their potential, and develop partnerships based on peer to peer dialogue and multi-stakeholder cooperation.**

At the launch event which gathered high-level representatives of SDBs and DFIs on April 6th, 2021, all concerned SDBs and their institutional, technical and financial partners in LAC were invited to **join the Alliance by endorsing its joint Declaration**⁵.



This joint Declaration sets out the main objectives of the Alliance, encouraging SDBs to:

Align their strategies, standards, initiatives, investments, and portfolios with the 2030 Agenda and its sustainable development goals (SDGs) and the Paris Agreement on Climate;



Diversify their technical and financial services offered to local governments and local actors;

Promote sustainable investments through portfolios of urban and territorial development projects and boost the financial urban and municipal markets.



The Alliance ambitions to act as a **vibrant community** on financing sustainable urban development in LAC, as well as a **strategic space for dialogues and partnerships** with peers, financial and technical partners active in the region, as well as national and local governments and experts.

Within the international fora, it ambitions to enhance the strategic role of SDBs, and their **Alliance, to finance the implementation of global agendas.**

⁵ See the Declaration here: tinyurl.com/4z6nvcu9

STRUCTURING THE GOVERNANCE OF THE ALLIANCE

Prior to the launch of the Alliance, the founding members – AFD, BDMG, IDDRI and FMDV – conducted strategic discussions on its objectives, as well as how to mobilize key partners.

These talks led to coordinating and consolidating the governance of the Alliance, outlined in a governing principles document, presented by FMDV to the Steering Committee on June 23th, 2021, and validated on September 16th, 2021 by its members.

THE STEERING COMMITTEE

As a multi-stakeholder initiative, the Alliance is organized under a **light governing structure** to ensure effective cooperation. It is structured around a **shared and collegial management** led by the Steering Committee. Membership is free of charge; the Alliance operates financially on the basis of voluntary contributions.

During the first year, it was decided to consolidate the Steering Committee before enlarging the membership.

The Steering Committee is responsible for strategic decisions and political guidance by reviewing and approving the Alliance's action plans, strategies, budget and other major decisions. Member institutions of the Steering Committee are invited to formalize their membership by a letter designating a focal point.

As of today – October 2022, the Steering Committee is consolidated with **23 active members representing 5 constituencies** :

- ▶ **Subnational Development Banks (SDBs) and their networks:** BDMG, BRDE, COFIDE, Desenvolve SP, FIRA, FOGABA, as well as ALIDE and ABDE, as networks of National/Subnational Development Banks
- ▶ **Development Finance Institutions (DFIs):** AFD, CABI, CAF, EIB, FON-PLATA, IDB, World Bank
- ▶ **International organizations:** European Commission-INTPA, SEGIB, UNDP, UN-ECLAC
- ▶ **Think tanks and Academia:** IDDRI and WRI
- ▶ **Local government associations:** FMDV and UCLG

Since the launch, three Steering Committee meetings have been organized: June 23th, and September 16th, 2021, and January 26th, 2022. All three meetings have led to agreeing on the main objectives and governing principles of the Alliance. As well as the priorities of its action plan and the associated annual budget on the basis of a catalog of activities developed by FMDV.

THE ALLIANCE SECRETARIAT

The Secretariat is hosted by a member designated by the Steering Committee to coordinate the activities of the Alliance. Based on its leading role in setting up the Alliance and on its expertise in supporting alliances of SDBs in other regions, **FMDV has been designated by the Steering Committee to serve as the Secretariat** of the Alliance for the first years of its structuring phase.

In this mandate, FMDV has carried out the following activities:



Designing the strategic documents of the Alliance: concept notes, governing principles, joint declaration, annual work plan and related budget;



Mobilizing stakeholders – Steering Committee and Alliance members and potential members – on an ongoing basis;



Including the Alliance in its own global advocacy work, political outreach and communication, within the framework of the Global Alliance of SDBs on which FMDV reports in several United Nations bodies.

More specifically, the Secretariat is in charge of :

- i) coordinating the activities;**
- ii) producing all the content** – drafting of strategic documents, concept notes, agendas, reports, strategic papers, etc.;
- iii) mapping and mobilizing partners** – databases, invitation letters, individual interviews to encourage institutions to join the Alliance and its activities, identification and briefing of speakers;
- iv) ensuring the logistical organization** of online and in person events, management of (video) conferences and service providers (interpretation, catering...) and technical briefing with speakers;
- v) facilitating and moderating the meetings** – providing visual support, moderating and drafting the minutes;
- vi) creating the communication tools of the Alliance** in several languages – English, French, Spanish and Portuguese – designing a dedicated web page hosted by the FICS website, web communication tools to promote events, press releases, newsletters and publications on FMDV's website and social media;
- vii) maintaining regular bilateral relations with the Steering Committee members** to discuss priorities and encourage their support for the Alliance's activities;
- viii) managing the annual budget of the Alliance.**

The Secretariat provided by FMDV in 2021-2022 is organized as follows:

- ▷ Two program officers (fluent in Spanish, Portuguese, English and French);
- ▷ Regular involvement of the senior management;
- ▷ A pool of regional and international experts mobilized to contribute to the content and the publications of the Alliance.



Photo: Ayrton Vignolia

BECOMING A MEMBER

Membership is **open to institutions belonging to one of the five Steering Committee constituencies**, on a voluntary basis.

All interested members must commit to the overall **mission** of the Alliance and to sharing its **core objectives and values** – listed in the joint Declaration. Candidates need to address an endorsement letter to the Secretariat which shares it with the Steering Committee for collective approval. The Secretariat is in charge of updating a database assessing potential members with the support of the Steering Committee members.

Following the launch and initial mobilization, two **membership campaigns** were organized by FMDV in November 2021 and early 2022 (from January to March), to identify potential SDBs. The second was a more targeted campaign, with personalized invitation letters sent to over a hundred SDBs, mapped by FMDV in the region. It enabled the Secretariat to initiate several bilateral exchanges with SDBs to

pledge their participation in the work of the Alliance and to formalize their membership.

However, beyond formal membership which takes time, with respect to the internal approval procedures of the SDBs, it is important to note the **growing involvement of SDBs**. And this growing implication in the work of the Alliance also includes those who are not yet members, particularly by presenting their experiences at the thematic workshops.

The Secretariat regularly disseminates information on the Alliance activities to members and potential partners – through an extensive mailing list : workshops, knowledge products (reports, strategic papers, etc.), advocacy material (to invite members to join the Alliance), and through bilateral exchanges.

The Alliance's Annual Forum, a space for sharing - which mobilizes all its members - is intended to take place at least once a year.

ALLIANCE'S ACTIVITIES

Throughout the past year, with the continuous support of the Secretariat, the Alliance has been able to lead many **high-level impactful activities**.

The **2022-2023 work plan and related budget** were endorsed by the September 16th, 2021 Steering Committee meeting, based on a catalog of activities (including 11 proposals) designed by FMDV and followed by in-depth consultations with its members.

The work plan is structured upon the following thematic priorities:

The development of:

01

De-risking instruments and guarantees for SDBs;

03

Standards, norms and operating procedures to **align SDBs' action with the SDGs and the Paris Agreement goals**;

02

Instruments and tools to plan, finance and monitor **climate resilience** investments in LAC cities and territories;

04

Pipelines of bankable sustainable projects & investment through **project preparation** and technical assistance.

Based on the available financial resources, the Alliance can provide a **wide range of activities and possible outcomes**. All aim at sharing inspiring practices, building knowledge, enhancing SDBs capacities and creating operational tools and investment opportunities. Activities and outcomes include: peer to peer and multi-stakeholder workshops, training, development of databases, studies, guides and technical tools. The Alliance can also be a framework for developing technical assistance programs at the national or the regional levels.

As the Alliance operates through voluntary financial contributions, FMDV has **embarked on a process of mobilizing financial resources from the Steering Committee members**, to run the Secretariat and to co-sponsor part of several 2022 Alliance's activities endorsed in the work plan – through financial contributions, expertise, human resources, hosting and facilitating events, studies, etc.

The Steering Committee, with the support of the Secretariat, has mobilized **various sources of co-financing** from its members which testifies their engagement. It also shows **the strong ownership of the Alliance's partnership momentum by Latin American actors** (see part on budget).

THEMATIC WORKSHOPS

THE ROLE OF SDBS IN FINANCING A RESILIENT URBAN AND TERRITORIAL POST-COVID RECOVERY



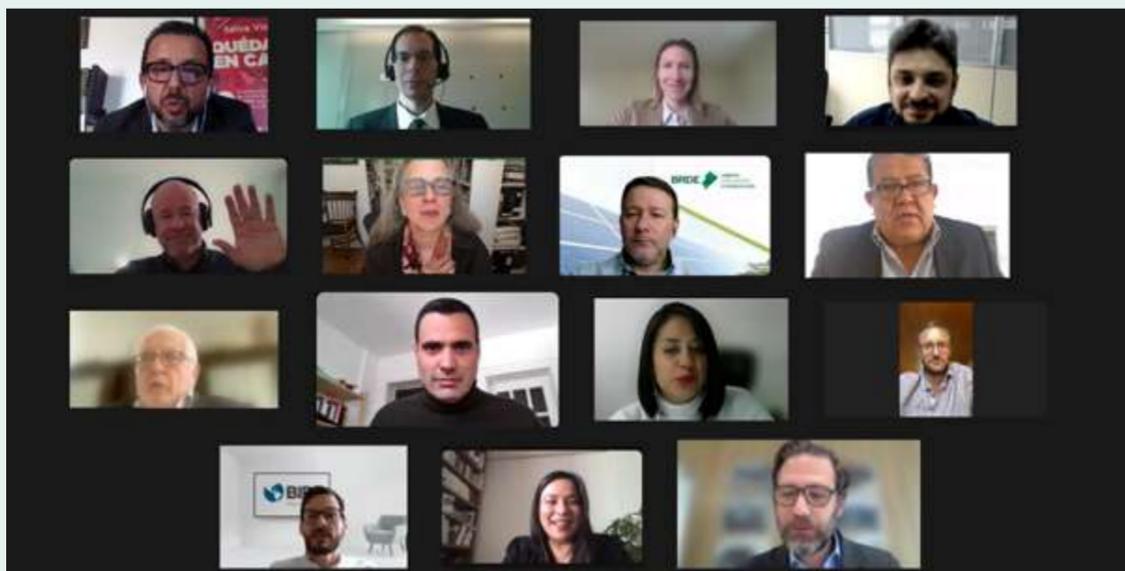
The first Alliance's online peer-to-peer and multi-stakeholder 2.5 hours workshop was held on September 23th, 2021 on the topic: **"The role of SDBs in financing a resilient urban and territorial post-covid recovery"**, 13 speakers from 11 organizations participated (AFD, BDMG, BRDE, CABEI, CAF, EIB, IDB, FONPLATA, FMDV, MERCOCIUDADES, World Bank), and 100 attendees. It was organized by FMDV with the financial support of **CAF as lead partner**. The outcomes of the

discussions inspired a strategic paper of the Alliance, drafted by FMDV that was disseminated at the second edition of the FICS in Rome in October 2021. It aimed at highlighting the specific financial intermediation role of SDBs within the galaxy of public development banks for channeling the post covid recovery funds and investments to reach the local level⁶.

SEPTEMBER, 2021

⁶ See the concept note and agenda of the workshop here: tinyurl.com/ycxjsybu, the report here: tinyurl.com/4vfp8tnf, and the strategic paper here: tinyurl.com/5d8u6dwa.

DEVELOPING GUARANTEES AND DE-RISKING INSTRUMENTS TO FINANCE A JUST URBAN AND TERRITORIAL TRANSITION IN LAC WITH SDBS



The second 2.5 hours online workshop took place on April 22, 2022, on the theme **“Developing guarantees and de-risking instruments to finance a just urban and territorial transition in LAC with SDBs”**. It was co-organized by FMDV and the **Inter-American Development Bank (IDB) as lead partner**, with an audience of 180 attendees. The session was moderated by Dr. Barbara Samuels, Executive Director of The Global Clearinghouse for Development Finance (“GlobalDF”) and Senior Advisor of FMDV. The workshop allowed presentations of various SDBs from the region (BADESUL, BANOBRAS, BRDE, Desenvolve SP,

NAFIN and FIRA) accompanied by their technical and financial partners (AFD, CABI, CAF, IDB, UNDP, WRI).

The discussions demonstrated the strong potential for SDBs to better mobilize existing credit enhancement mechanisms and to diversify their financial services with the support of their DFIs partners. The key takeaways from the session set the basis of a knowledge product of the Alliance developed with the support of IDB⁷.

APRIL, 2022

⁷ See the concept note and agenda of the workshop here: tinyurl.com/yc2as9m9, the replay of the workshop here: tinyurl.com/yuzctays, and the slides of the workshop here: tinyurl.com/msv3awef

THE ROLE OF SDBS IN ENHANCING THE IMPLEMENTATION OF THE URBAN TRANSPORT STRATEGY OF THE GREEN CLIMATE FUND IN LAC

On May 19th, 2022, FMDV in collaboration with the Green Climate Fund (GCF) and ALIDE, organized the third workshop on: **“The role of SDBs in enhancing the implementation of the urban transport strategy of the Green Climate Fund in LAC”**. This hybrid session was held in Curaçao during the ALIDE 52nd General Assembly. It brought together 150 participants. The GCF presented its transport’s strategy in LAC, as well as opportunities to reinforce cooperation with direct access entities, including SDBs. The presentations of AFD, BANOBRAS, C40, CABI, CAF, CARIBANK, IDB, UNEP and World Bank showed the need to deepen cooperation between SDBs and their institutional, technical and financial partners to better mobilize GCF funding for mobility projects.

Indeed, SDBs have a unique role to play to strengthen the subnational financing ecosystem. In terms of knowledge production; capacity building and technical assistance for preparation of bankable projects connected to national determined contributions (NDCs), as well as connection between local stakeholders and project developers – especially local and regional governments – to sources of finance, providing financing instruments to derisks projects. Recommendations will be compiled and shared with members and partners to guide the mobilization of GCF’s funds by SDBs⁸.

MAY, 2022

⁸ See the agenda of the workshop here: tinyurl.com/5auja982 and the replay here: tinyurl.com/4aezfbcz



THE ALLIANCE'S ANNUAL FORUM

The first edition of the Annual Forum of the Alliance of SDBs in LAC was held on August 10th and 11th, 2022 in São Paulo, Brazil on the theme "Financing a just and sustainable urban transition in Latin America and the Caribbean: the role of SDBs". It was co-hosted by CAF, Desenvolve SP and FMDV, as the Alliance Secretariat and supported by the EUROCLIMA+ program (European Union - AFD), FONPLATA and Federation of Industries of the State of São Paulo (FIESP)⁹.

More than 150 participants attended the event in person at FIESP headquarters, representing

the diversity of the partners of the Alliance: various Latin American Subnational Development Banks (SDBs) represented by their CEOs, most of Development finance institutions, international organizations, research and academic institutions that are active in the region, as well as local governments and their networks, and the private sector. In addition, the event was broadcasted online to a wide international audience counting more than 1200 views.

AUGUST, 2022

⁹ See the agenda of the Annual forum of the Alliance here: tinyurl.com/4yvp7nec

THE DISCUSSION WAS STRUCTURED AROUND 5 SESSIONS:

- ▶ Mobilizing resources and access to international climate finance for SDBs;
- ▶ Aligning standards, norms, tools and procedures of SDBs with the goals of the Paris Agreement;
- ▶ Reinforcing SDBs' and local and regional governments' capacities to structure climate investments portfolios;
- ▶ Consolidating SDBs' capacities to foster social inclusion and reach the most isolated and vulnerable areas and populations;
- ▶ Strengthening SDBs' capacities to support local economic development, employment and mobilize private investment.

These sessions were combined with **strategic dialogues and networking** to enhance cooperation within the Alliance.

A meeting of the Steering Committee allowed to discuss the next steps and to build the Alliance's 2023 action plan.

An Alliance **paper** drafted as an outcome of the workshop, **with the support of CAF**, will highlight **inspiring practices and recommendations to finance urban climate resilience in LAC** with SDBs.

This Forum really demonstrated the strong potential of the Alliance of SDBs to become a reference for the exchange and production of knowledge and to foster reinforced cooperation between SDBs and all the stakeholders committed in the subnational and urban finance ecosystem.



Photo: Ayrton Vignólia



Photo: Alberto Rocha



Photo: Ayrton Vignólia



Photo: Éverton Amaro

KNOWLEDGE PRODUCTS AND STRATEGIC PAPERS

The first Alliance's 15 pages strategic paper entitled: **The role of Subnational Development Banks in financing an urban and territorial resilient post-covid recovery in Latin America and Caribbean**¹⁰ is built upon the experiences presented at the September 23th, 2021 workshop, as well as literature review and scientific research. It underlines the specific role of SDBs in identifying the financing needs of local actors; as well as in structuring local project portfolios and channeling financing throughout the territory, via special recovery facilities co-financed through SDBs. It also shows the role of SDBs in prioritizing recovery-oriented investments, while seeking alignment with global agendas.

The Secretariat drafted the paper in house and submitted it for consultation and comments to the Steering Committee members and workshop speakers. The paper has been published on the "publications - research papers" page from the FICS website¹¹, disseminated on social networks and presented by FMDV during the thematic session "Unlocking financing for a just urban and territorial transition, the role of SDBs" co-organized by the Alliance, as part of the official program of the FICS 2, on October 19th, 2021¹².

FMDV also initiated and drafted the **COP 26 Declaration of the Global Alliance of Subnational Development Banks - SDBs**, endorsed by the Alliance, along with the RIAFCO. With this declaration, SDBs commit to align their strategies, standards and investment portfolios with the Paris Agreement. They call for enhanced cooperation with national, local governments, as well as with the private investors to strengthen SDB's financial and technical assistance to local governments and actors and, thus, to boost subnational financial markets. **This statement was released** in English, French and Spanish during COP26 dedicated "**Finance day**", on November 3rd, 2021¹³.

THREE PUBLICATIONS ARE CURRENTLY UNDER PRODUCTION:

A paper highlighting inspiring experiences and recommendations to better mobilize and develop guarantees and de-risking instruments with SDBs in partnership with their technical and financial partners in LAC. This Alliance paper, will build upon the discussions held at the April 22nd Alliance's workshop on the same theme. It is financed by the IDB, lead partner of this workshop, which is funding a dedicated expert, while the Secretariat is in charge of the coordination and reviewing of the paper.

A paper on the role of SDBs in enhancing the implementation of the urban transport strategy of the GCF in LAC based on the workshop organized by the Alliance in collaboration with the GCF on May 19th 2022, in Curaçao during the 52nd General Assembly of ALIDE.

A paper on the role of SDBs in financing the urban climate transition in LAC, following the discussions of the First Annual Forum of the Alliance on this theme. This Alliance's knowledge product is financed by CAF.

¹⁰ Read the paper here: tinyurl.com/bde45rn6

¹¹ Access the website here: tinyurl.com/yunv8ezn

¹² Watch the replay of the thematic session of the Alliance at FICS 2, the role of SDB to unlock finance for an urban and territorial just transition: tinyurl.com/bdeenvnm

¹³ Read the paper here: tinyurl.com/32j8p3zu

INTERNATIONAL ADVOCACY - PROMOTING THE ALLIANCE AT INTERNATIONAL CONFERENCES

The United Nations Regional Climate Week (UNFCCC) in Latin America and the Caribbean, 13 May 2021

During the UNFCCC United Nations Regional Climate Week in Latin America and the Caribbean, in preparation for COP 26, FMDV organized and moderated a **side event on "Unlocking finance for urban and territorial resilience, the transformative role of SDBs"**. The following institutions participated and promoted the Alliance : AFD, BDMG, CAF and FINDETER¹⁴.

The Finance in Common Summit - FICS 2, 19-20 October 2021, Rome

As part of the official program of the FICS 2, FMDV, on the behalf of the Alliance with The Compañía Española de Financiación del Desarrollo (COFIDES) and the African Development Bank (AfDB), co-organized a **thematic session on "Unlocking finance for an urban and territorial just transition, the role of SDBs"**. Moderated by Ms. Émilie Maehara, Deputy Executive Director of FMDV, the session counted with the intervention of high-level speakers, representing SDBs, DFIs, local governments, and experts. BDMG and CAF represented the Alliance. This session allowed to strengthen the dialogue between SDBs Alliances and DFI partners in Africa and Latin America.

COP 26, 31 October - 12 November 2021, Glasgow

During the COP 26 " Finance Day" on November 3rd, 2021 – FMDV co-organized the "Climate Action Finance day" high-level panel within the framework of the **Marrakech Partnership for Global Climate Action**. FMDV – as the coordinator of the MPGCA's subnational climate finance pillar – sponsored Mr. Sergio Gusmão Suchodolski, in his former role as CEO of BDMG and a founding member of the Alliance – to participate in this high-level event as a key speaker and to promote the Alliance. Indeed, FMDV obtained the recognition of the SDBs and their Global Alliance as one of the most transformative solutions at global level to unlock climate finance at the subnational level in the new MPGCA Climate action Finance pathway, released for COP 26.



During COP 26, the Secretariat also facilitated the recognition of the Alliance's role and activities through the organization of events, with the support of its members¹⁵.

¹⁴ See the program of the side event of the Alliance during the United Nations Regional Week (UNFCCC) here: tinyurl.com/9tz7e78c

¹⁵ Watch the replay of the event on the role of public development banks to finance the climat urban transition: tinyurl.com/44nndjuf

Organization or participation of FMDV in COP 26 events:

- ▶ Side event on “**The role of public development banks in financing the climate transition of cities**”, co-organized by AFD, CDG Capital, FMDV and moderated by FMDV at the International Development Finance Club – IDFC pavilion. Intervention of representatives of the Alliance: BRDE, CAF (**November 11th, Cities Day**);



- ▶ From Rhetoric to Reality, Financing Climate Solutions in Latin America, Climate Group - Under2 Coalition (**November 7th**);

- ▶ Accelerating and financing the implementation of Municipal Climate Action Plans, Global Covenant of Mayors for Climate & Energy (GCoM) ICLEI (Local Governments for Sustainability), Euroclima+ Pavilion (**November 8th**).

Organization or participation of Alliance members in COP 26 events:

- ▶ ICLEI Latin and South America event (**November 2nd**);

- ▶ Creating a step change in private capital for emerging markets and developing countries. ALIDE, BDMG, IDB, Australian pavilion (**November 3rd**);

- ▶ Closing the financing gap for local climate action: solutions for the development of bankable projects and suitable financial vehicles - AFD, BDMG, CAF, GIZ UN-ECLAC and GIZ, Euroclima+ pavilion (**November 3rd**);

- ▶ Lessons learned from Subnational Development Banks in Latin America and the Caribbean - Implementing Climate Action Intermediated Lending – EIB (**November 10th**).

7th Development Forum of the Brazilian Development Association organized by the Brazilian national association of public banks, ABDE - 15-16 March 2022, Brasilia

Ms. Émilie Maehara, FMDV's Deputy Director presented and highlighted the activities of the Alliance during her intervention in the panel dedicated to the potential of subnational actors for development¹⁶. A large number of Alliance's members participated in the event.



Moreover, the promotion of the work of the Alliance – 2 knowledge products to come - see section above, as well as strategic advocacy on the role of the SDBs for the implementation of the international agendas have been carried out this past year.

FMDV is continuing its international advocacy on SDBs initiated in 2015 with various United Nations bodies, regularly promoting the Alliance in international meetings – on average 3 per month.

UN High-Level Political Forum 2021 (annual SDGs follow-up conference):

Ms. Émilie Maehara, FMDV Deputy Director, participated in the side event organized by the United Nations LOCAL 2030 platform on the theme of localizing the SDGs¹⁷ on July 15th 2021¹⁸ at the invitation and in the presence of Ms. Amina Mohammed, Deputy Secretary General of the United Nations. In this context, she highlighted the role of SDBs and their Alliance as solutions for financing the localization of the SDGs.

She also promoted FMDV's work on SDBs on the occasion of the **ECOSOC Forum on Financing for Development**¹⁹ and the General Assembly **High-Level Meeting on the implementation of the New Urban Agenda**²⁰ (Quito+5) – FMDV had indeed obtained, back in 2016, the recognition,

in the New Urban Agenda, of the key role of SDBs to finance a sustainable urban development²¹. She first made an intervention at the opening of the Global stakeholder consultation forum organized by the United Nations (ECOSOC) on April 4th, 2022, in preparation for the high-level meeting organized on April 28th. She also promoted the Alliance as one of the solutions to finance the implementation of the SDGs at local level at the side event “**Transformative Urban Finance for the SDGs**”²² organized in New York on April 27th, in the presence of Ms. Maimunah Mohd Sharif, the Executive Director of **UN Habitat** and the **UNCDF** Executive Secretary, Ms. Preeti Sinha.

¹⁶ See the replay of ABDE's 2022 Forum here: tinyurl.com/3tnmu3ze

¹⁷ Information on the LOCAL 2030 side event on localizing the SDGs during the UN High-Level Political Forum, available here: tinyurl.com/44xdskxr

¹⁸ Replay of the side event organized during the High-Level Political Forum of the United Nations 2022, available here: tinyurl.com/bpa9kk99

¹⁹ Information on the ECOSOC Forum on Financing for Development 2022 available here: tinyurl.com/ayxb6w8m

²⁰ Information of the meeting available here: tinyurl.com/7huy8w69

²¹ See the New Urban platform here: tinyurl.com/yh492hku

²² See more information on the side event “Transformative Urban Finance for the SDGs” organized in New York on April 27th here: tinyurl.com/5n82x7nk

FMDV participates in regular exchanges with the **Egyptian presidency of COP27, UNFCCC** and the **High-Level Champions for Climate Action** in which it can promote the agenda of the Global Alliance of SDBs that it is piloting within the climate COPs.

The FMDV Deputy Executive Director presented the Global Alliance of SDBs during the **Cairo Workshop for COP27 Sustainable Cities Initiative** organized by the Egyptian presidency of COP 27 together with UN Habitat at the Egyptian Ministry of Foreign Affairs, on July 27th, 2022.

In addition, the recognition of the key role of SDBs has accelerated in July 2022, with **the launches, by FMDV, of two new FICS initiatives: the African Alliance of SDBs** in June 2022 – based on the model of the **Latin American one** – and the **thematic Coalition of Resilient Cities and Regions** in July 2022. As a role model for its African fellows, the Latin American Alliance will definitely gain exposure in the coming years.



TWO NEW FINANCE IN COMMON SUMMIT INITIATIVES LED BY FMDV

The African Alliance of SDBs

This new initiative to be launched in Abidjan next October is led by FMDV under the framework of the FICS with the support of the AFD and Special Council Support Fund for Mutual Assistance of Cameroon (FEICOM). A pre-launch meeting, held on June 23rd, 2022, gathered over 55 participants (DFIs, PDBs, SDBs).

The Thematic Coalition of Resilient Cities and Regions

This global coalition co-lead by FMDV and AFD aims at creating a global and strategic community of practice for Public Development Banks (PDBs of different levels -multilateral, regional, national and subnational) with the main objective to ramp up and reinforce financing for a just and sustainable urban transition, as well as subnational investment for cities and regions. A pre-launch strategic meeting of the Coalition was held on July 18th, 2022, in preparation for the third edition of the FICS.

The 2 FICS regional Alliances of SDBs will report to the Coalition on resilient cities and regions.

COMMUNICATION

In order to ensure and amplify the visibility of Alliance activities, the Secretariat regularly communicates through different channels :



- Developing the Alliance's presentation texts on its dedicated webpage – hosted by the FICS General Secretariat²³; conception and realization of communication material and publications on social media to promote the events and productions of the Alliance – in FMDV LinkedIn and Twitter accounts, FMDV's website²⁴ and Newsletters – with over 10,000 views, shares and contacts.

- Issuing and disseminating press releases for the launch of the Alliance and performing the task of press attaché in responding journalists' requests; contribution to the FICS report "PDBs in action, Progress Report from the First Year of Life of the Finance in Common Coalition"²⁵ to showcase the progress of the Alliance.

- In addition, the Secretariat has developed communication guidelines and tools to be used by the Steering Committee members to encourage multi-stakeholder partnerships and communication around the Alliance that were endorsed by its members during its January 26th, 2022 meeting²⁶.

Communication packages (social media banners) are shared with members of the Alliance to ensure their ownership by developing their own communication.

²³ Access the web page here: tinyurl.com/knkec4bv

²⁴ Access FMDV's website here: tinyurl.com/4hjvd3av

²⁵ Read the report here: tinyurl.com/ymucy7nc

²⁶ Read the Partnership and Communication guidelines of the Alliance of SDBs in LAC here: tinyurl.com/55akrx9r



BUDGET

The Alliance's budget is composed of contributions from its members, on a voluntary basis. To date, **ten members of the Steering Committee have provided funding for the implementation of the activities** (management of the Secretariat, governance structuring, design of activities, organization of events, knowledge products, communication supports, etc.). Contributions are also in-kind. Hence, members and partners have supported the Alliance by making available their staff, facilities, and by taking directly in charge some expenses (recruiting service providers, consultants).



From October 2021 until March 2022, the Secretariat's functioning was supported by AFD which provided a financial contribution to FMDV for its animation and coordination (see below).

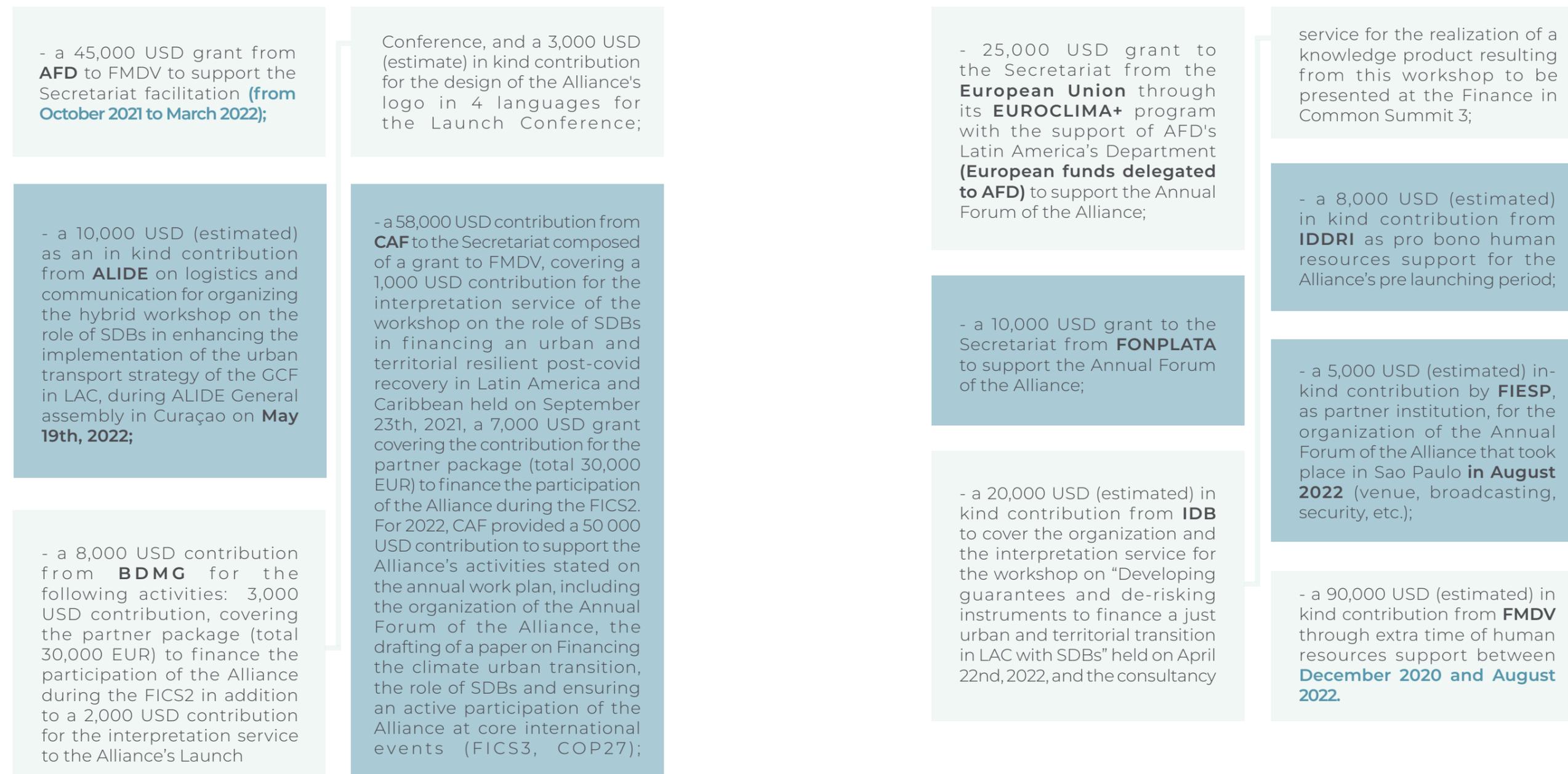
During the first year of activity, faced with high expectations and limited budget available, FMDV significantly contributed to co-financing the Alliance by dedicating a significant amount of human resources : 2 full

time project officers, part time Senior manager and Deputy Director, as well as the mobilization of the Executive Director on a regular basis. This choice of dedicating extra staff time intended to demonstrate the potential of the Alliance for its first year of structuring in order to mobilize strengthened commitment for the second year.

While structuring the work plan 2022 of the Alliance, FMDV has also been pleading among members to sponsor its activities (in-between the Steering Committee meetings of September 16th, 2021 and January, 26th, 2022).

The **total amount collected for the implementation of the 2021-2022 work plan was 279 000 USD**, including 90 000 USD contribution provided by FMDV (estimated extra staff time), as well as 43 000 USD (estimated) in kind contributions from Steering Committee members and 5000 USD in kind contributions from partner institutions.

Significant **sources of co-financing** from various members of the Steering Committee were therefore mobilized. The funding was either channeled through the Secretariat (managed by FMDV) or via direct payment of the service by the member concerned:

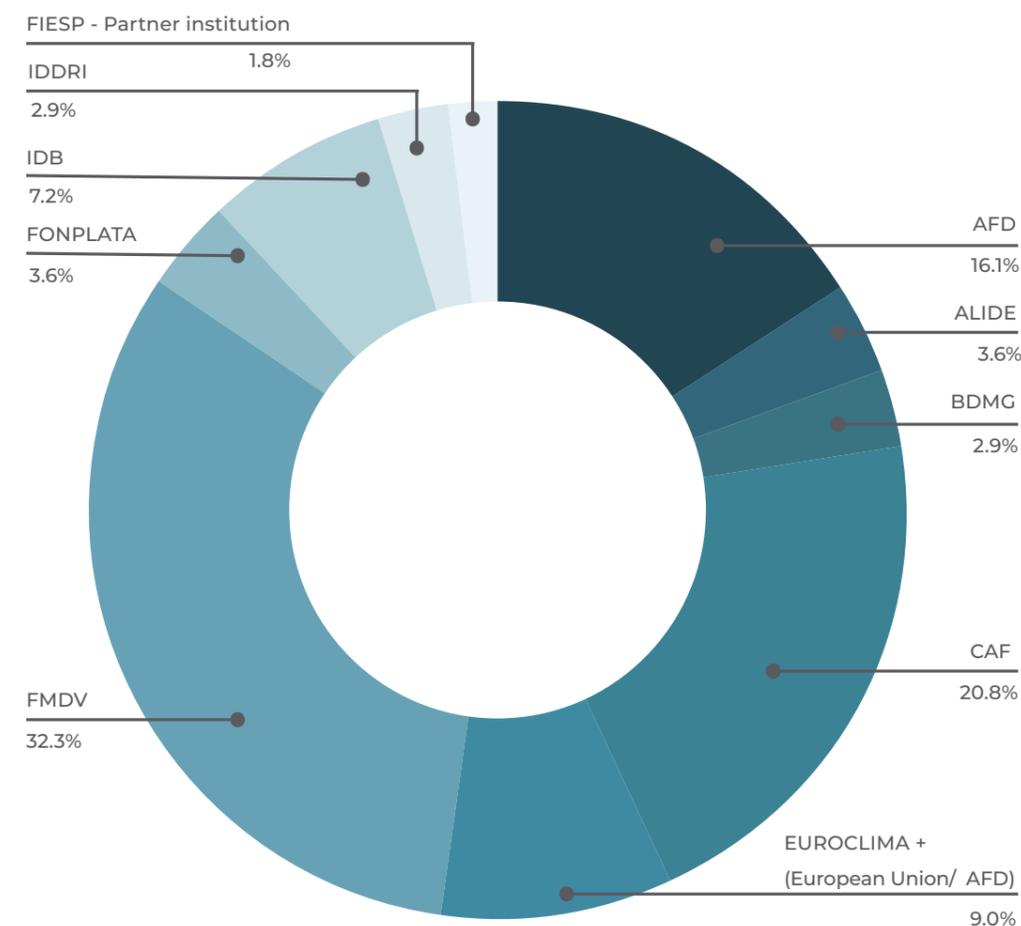


ESTIMATED CONTRIBUTIONS FOR THE ALLIANCE PROGRAM OF ACTIVITIES

(BETWEEN DECEMBER 2020 AND AUGUST 2022)

MEMBER INSTITUTION	AMOUNT (rounded figures in USD)	OBJECT
AFD	45,000.00	Grant to FMDV for the Secretariat facilitation
ALIDE	10,000.00	Logistical organization and communication for the hybrid workshop co-organized with the Alliance during ALIDE General Assembly in Curaçao on May 19th, 2022 (estimated- in kind)
BDMG	3,000.00	Contribution to the partner package for the Alliance event at Finance in Common Summit 2 (total partner package 30K€)
	2,000.00	Contribution for the interpretation service of the Alliance Launch Conference (estimated - in kind)
	3,000.00	Design of the Alliance's logo in 4 languages (estimated - in kind)
CAF	1,000.00	Grant to the Secretariat to cover the interpretation service for the Workshop on post covid recovery
	7,000.00	Grant to the Secretariat to cover the contribution to the partner package for the Alliance event at Finance in Common Summit 2 (total partner package 30K€)
	50,000.00	Grant to the Secretariat to support the 2022 work plan including the organization of the Annual Forum, the drafting of a paper on "Financing the climate urban transition: the role of SDBs" and ensuring an active participation of the Alliance at core international events (FICS3, COP27)
EUROCLIMA + (European Union/ AFD)	25,000.00	Grant to the Secretariat to support the Annual Forum of the Alliance
FMDV	90,000.00	Co-financing between December 2020 and August 2022 (estimated - in kind)
FONPLATA	10,000.00	Grant to the Secretariat to support the Annual Forum of the Alliance

IDB	20,000.00	Organization of the videoconference, interpretation service of the workshop on guarantees and derisking instruments, covering of the consultancy service for the realization of a knowledge product (estimated - in kind)
IDDRI	8,000.00	Pro bono human resources support for the pre-launching period by the 4 founding members (estimated - in kind)
PARTNER INSTITUTION		
FIESP	5,000.00	Logistical support to organize the Annual Forum of the Alliance at their headquarters (estimated-in kind)
TOTAL	279,000.00	



CONCLUSION

The Secretariat would like to express its sincere gratitude to all the institutions that have committed to the activities of the Alliance with their technical, human resources – expertise – and financial support.

The first year of the Alliance has been productive and very fruitful. It demonstrated a strong dynamism and a great diversity, both in the topics addressed and in the partnerships mobilized. The Alliance gave the opportunity to gather all categories of stakeholders involved in the urban sustainable and local finance ecosystem. Indeed, key actors from the 5 constituencies – SDBs and their networks, DFIs, International organizations, Think tanks and Academia, Local government associations – have had the chance to exchange through several multi-stakeholder workshops and events, benefiting from each other's experiences.

Regarding the thematic covered, the Alliance allowed to address key issues requested by the members and partners. From discussions on instruments, such as derisking instruments, to sectoral issues, such as the mobilization of GCF's funds for sustainable mobility, a wide range of themes have been tackled. The Alliance has also capitalized through the production of knowledge contents – strategic papers, guidelines to be published shortly, etc. – and release of reports.

This momentum will be pursued in 2023 and deserves to be accompanied by the necessary financial resources to support the implementation of the upcoming work plan and its sustainability.

The Alliance has demonstrated a strong potential to become a reference for the exchange and production of knowledge and to foster reinforced cooperation between SDBs and their institutional, technical and financial partners.

It is necessary to continue strengthening its ownership – by its members but also through new membership of the largest possible number of SDBs in the region. In this structuring period of the Alliance, it is also necessary to consolidate the activities which meet the needs of SDBs to allow them to fully play their role to scale up funding for a sustainable urban development in LAC.

This report was written by The Alliance Secretariat :
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