Encuentro internacional AENL: Las políticas de desarrollo productivo en un contexto desafiante

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# Financing Development in the Periphery: the role of development banks in the climate transition

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## Road Map of the presentation: two parts

- Part 1
- From the Wall Street Consensus to a Sustainable Development Convention: Climate transition is a structural transformation
- The strategic role of Development Banks in the transition
  - Development Banks in the periphery
- Part 2
- The revival of industrial policy in Brazil: an illustration of BNDES's role in financing development in the recent period.

## THE LIMIT OF THE CURRENT FINANCIAL ARCHITECTURE: Wall Street Consensus

- Private finance remains guided by risk–return and liquidity preferences
- Climate investments often involve long maturities + radical uncertainty
- The State is increasingly asked to "de-risk" projects for private investors
  - →Development becomes subordinated to financial requirements



## An alternative: SUSTAINABLE DEVELOPMENT CONVENTION

- State-led long-term economic planning
- Coordination of fiscal, monetary, industrial, technological and environmental policies
- Financial system aligned with structural transformation
- Expectations anchored around a sustainable development trajectory

## THE STRATEGIC ROLE OF DEVELOPMENT FINANCIAL INSTITUTIONS

Bridge between PLAN + FINANCE + STRUCTURAL TRANSFORMATION

- Direct credit toward strategic sustainable sectors
- Provide patient, long-term finance
- Assume and coordinate risks that private finance cannot bear
- Create markets for new technologies and activities
- Catalyze private capital without being subordinated to its logic
- **Key message:**
- Under a Sustainable Convention, development strategy determines the direction of finance.



## Why do Development Banks Matter More in Peripheral Economies?

- **The climate transition is not financially neutral across countries**

PERIPHERAL ECONOMIES FACE A DOUBLE CONSTRAINT

- **1. Limited macroeconomic policy space**
- Currency hierarchy and lower international liquidity
- Vulnerability to global capital flows
- Higher financing costs and external financial constraints
- Need to manage foreign-exchange reserves
- **2. Dependence on technology + foreign exchange**
- Green transition requires imported technologies and capital goods
- Risk of increasing external vulnerability
- Need to build **domestic productive and technological capabilities**

## Recent Brazilian Experience in resuming industrial policy: the case of BNDES in financing the transition

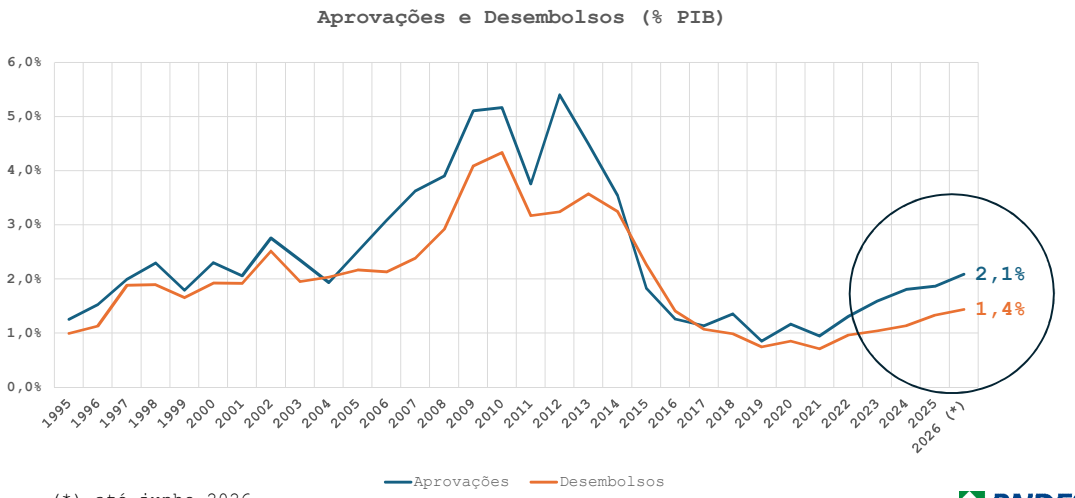
- **THE MACROECONOMIC CHALLENGE: Limited policy space**
- Financial openness & capital mobility
- External constraints and high real interest rates
- **THE POLICY RESPONSE: Ecological Transformation Plan (2023) and Nova Indústria Brasil (2024)**
- Link **climate policy + industrial policy**
- Promote productive transformation
- Mobilize investment for the green transition



## TWO NEW FINANCIAL INSTRUMENTS

| **Sustainable Sovereign Bonds** | **Eco Invest Brasil** |
|---|---|
| State raises resources directly | Mobilizes international private capital |
| Strengthens **Climate Fund** and the finance capacity of BNDES | Uses public resources to **de-risk** private investment |
| Public sector absorbs exchange-rate risk | BNDES structures financing mechanisms |
| Greater public control over allocation | Depends on private investors' return expectations |
| **Development-led finance** | **Public–private / de-risking model** |

## Aprovações e Desembolsos (% PIB)




(*) até junho 2026

BNDES

Documento Ostensivo

- Thank you

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