

## Webinar on Social Investment in Latin America and the Caribbean

### Key Takeaways

25 May 2023

#### Context

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The Finance in Common' Coalition for Social Investment, to which the Latin America Association for Financial Development Institutions (ALIDE) is a key member, held a webinar for representatives of Public Development Banks (PDB) in Latin-American and the Caribbean (LAC) and globally, to discuss the role that PDBs can play, in terms of developing an efficient market and ecosystem for social investment in LAC and also to share practices and successful stories among them.

#### Main Messages

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- Public development banks play a leading role in supporting just transitions towards more and better social investment, providing financing and fostering actions between other institutions.
- PDBs must harmonize their practices with governments and public policy makers. They need clear and aligned mandates so that investments are channeled towards a social and green investment agenda where all economic actors can participate.
- Low investment and stagnant productivity in LAC countries have inhibited growth and job creation. To tackle this issue, investing in human capital and infrastructure, with well-designed policies, can simultaneously address social, economic, and environmental goals.
- In this sense, we can say that social and environmental aspects are intrinsically linked and most of the financing and operations have an impact on one another.
- The PDBs knowledge about social investment could build on that of the private sector, such as the social impact investing scene. There is a lot that the private sector can provide o PDBs and vice versa, to integrate social considerations into financial decision making.
- The French Agency for Development (AFD) presented some products and projects to tackle some of the region's challenges in terms of investment and social needs. Its strategy addresses three cross-cutting aspects: 1) improve the state and preservation of ecosystems and foster mitigation actions to attend climate change; 2) support the social investment coalition through the reduction of multidimensional inequalities and the promotion of investments with a gender focus; and 3) support capacity building to promote sustainable and legitimate development.
- The Industrial Development Bank of Turkey (TSKB) shared its experience and practices in sustainable development and social investment. The Bank has increased its activity towards social impact investments, for which it classifies each financing according to its environmental and social contribution. It has a Sustainable Management Committee, within which there is a working group for social impact. In addition, the Bank has an "Environmental and Social Assessment Tool" to evaluate its loan portfolio and another for mapping the Bank's contribution to the 17 Sustainable Development Goals (SDGs) announced by the United Nations. Under this framework, TSKB designs future financing plans according to the SDGs, and cooperates with financial clubs and development finance institutions of which it is a member.
- The European Investment Bank (EIB) presented its inclusion strategy, highlighting its social inclusion framework that considers global trends in areas such as: climate change; biodiversity; economic shocks that deepens social inequalities; migration and refugees' situation; rapid urbanization and demography.

- It was pointed out that there are still many barriers and challenges in terms of sustainable social investment, such as: 1) gender norms; 2) risk appetite; 3) insufficient incentives for private sector, 4) public sector limitations, 5) differentiated impact of investments, 6) geopolitical issues and climate shocks, 7) there is no single taxonomy to assess needs or impact.
- The United Nations Development Program (UNPD) carried out an analysis about the financial instruments used for social investments, focused on the Sustainable Development Goals, including examples, and required improvements regarding impact measurement, disclosure and the necessary government incentives. It was noted out that sustainable finance will not be able to properly address the climate emergency without fluently addressing social issues, including socio-economic inequality. There is now an opportunity, given the PDB reform agenda, to build on around these topics.
- Cassa Depositi e Prestiti presented its sustainable financing strategy and commitments around social finance and investment. To meet these commitments, it has issued social housing bonds, social response bonds against Covid-19, as well as ESG bond issues.
- On the other hand, Banco de Desenvolvimento de Minas Gerais (BDMG) exposed its strategy and processes for the issuance of sustainable bonds, highlighting its actions to develop a framework, which certifies the link between its portfolio and the “Green and Social Bond Principles” and, therefore, with the SDGs. In addition, it provides guidelines on the eligibility criteria for sustainability and social projects, excluding sectors with negative impacts. Currently, 13 of the 17 SDGs are covered in the bank's portfolio.
- Lastly, FIRA presented its experience in sustainable financing, highlighting the support it has received from the IDB and the AFD. The framework for sustainable finance ranges from ESG criteria to an environmental and social risks management system, including the development of a taxonomy for green projects and the issuance of green bonds, social inclusion bonds, social gender bonds and a resilience bond.

### Way forward:

- Coordination between global associations and coalitions, such as this one from ALIDE and the Social Investment Coalition, are crucial to unite the financing experiences and capacities that PDBs possess.
- There are great challenges for LAC countries in terms of social investment. To meet these challenges, PDBs may have a renewed role. Public Development Banks should be strengthened to become catalytic agents, adopting new approaches towards risk assessment and move away to smaller scale projects that represent social investments and encourage private sector to do so.
- ALIDE and the Coalition will be working on this topic and strengthening their coordination to foster social investment topics among the region's PDBs.
- PDBs should continue to advocate for more and better social investment, in particular during major events such as the upcoming 2023 Finance in Common summit in Cartagena on 4-6 September 2023.

## Draft List of Participants

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