

Training Report Summary
for
Mainstreaming Climate Risks in BNDES'
Direct Financing Operations

Prepared for BNDES and GIZ

by

Climate Finance Advisors, BLLC and Sitawi

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Climate Finance Advisors, Benefit LLC
1875 K Street, NW, Washington, DC 20006



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OVERVIEW OF PROJECT

The Project ***Public Investment and Adaptation to Climate Change in Latin America*** (IPACC II BMUB/GIZ), with inputs and participation of the project ***Supporting Brazil in the Implementation of its National Agenda for Climate Change Adaptation*** (ProAdapta), aims to improve the framework conditions for an effective implementation of the Brazil's agenda for adaptation to climate change.

In the implementation of IPACC II project, the main counterparts in Brazil, the Ministry of Planning, Development and Management; the Ministry of Economy; and the Ministry of Environment, which form the project Managing Committee, established a joint action plan with the Brazilian National Bank for Economic and Social Development (BNDES).

Part of this was a training course on climate risk and its implications on financial institutions offered to BNDES functionaries. The training was designed to advise the Bank's internal teams on the implementation of a *Framework* for integrating climate risks into BNDES' financing approval processes and the *Methodological Guide* developed for this purpose.

In this regard, SITAWI and CFA were hired to conduct the following activities:

- a) Developing a framework proposal: a process map containing the flow of the steps for the analysis of projects in which the climate risk management and its methodological instruments are inserted;
- b) Preparing a methodological guide: an orientation tool describing the step by step application of the framework developed for climate risk analysis in the assessment of infrastructure projects;
- c) **Training BNDES staff and partners representatives of the IPACCII and ProAdapta for the proper understanding of the framework and application of the methodological guide;**
- d) Providing coaching during the application of the methodological guide in pilot projects;

This report summarizes the activities that were conducted during the step c) abovementioned.

CFA and SITAWI led the training, represented by Stacy Swann and James O'Connor (CFA) and Cristóvão Alves (SITAWI).

The training was provided for 32 participants, including BNDES technicians and partners representatives of the IPACCII and ProAdapta. The full list of participants is available in the annex I of this document.

DAY 1

The first day of the training occurred on August 26, from 2:30pm to 6pm. It started with an introduction of the IPACC project and a general overview on climate risk management for infrastructure financing projects. This day served as an introduction to the main concepts and ideas.

After that, we presented the proposed risk management framework for BNDES, including the activities that should be conducted at each stage of the credit approval, and the governance and responsibilities for these activities. The audience showed a high level of understanding of the topics discussed.

In the following section, we presented a benchmarking of what other development financial institutions (DFIs) have been doing in order to integrate climate risk into their processes. At this point, the audience raised some questions, showing interest in understanding how BNDES would be in comparison to other DFIs.

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Since it was a more introductory presentation, we didn't have many discussions or interactions during the first day.

Figure 1: First day of training



Figure 2: Second day of training



DAY 2

On the second day, we mostly focused on presenting and discussing the methodological guide and its application to a real project. The selected project was an airport in Porto Alegre and BNDES provided the information about it. The training occurred between 10am and 6pm.

We started the presentation reviewing some concepts that were introduced during the previous day. After that, we gave the audience some documents with information about the project that we would use as a case study. For each stage of BNDES' financing approval process, the audience was engaged to conduct some analysis and exercises simulating the procedures for assessment, review, credit risk management.

The training followed the structure of BNDES financing approval, simulating a process of integrating climate risk (from a few identified hazards) into the habilita o, eligibility, analysis and approval, contracting, and project supervision phases.

After that, Rodrigo (from BNDES) presented information about some providers of climate risk data analysis tools to translate these data in financial terms for quantitative and qualitative analysis as financing is evaluated¹.

Audience participation and discussion were active during the second day. We highlighted the following recommendations:

- Do not include too many questions in the Habilita o phase, because this is the beginning of the relationship with the potential borrower and should be as streamlined as possible. Some questions regarding climate risk could be postponed to the Eligibility phase;
- The Credit Area raised the possibility of including climate risk mitigation measures and an action plan as part of the contract;

¹ Over the following weeks, BNDES has been testing this proposed methodology through the "coaching" sessions as part of a pilot climate risk assessment of projects in the pipeline.



- During the contracting phase, the audience suggested creating covenants in case the climate hazards get more intense or frequent. Covenants could outline investments to be made in certain defined contingencies. (Such clauses already exist for other types of risks).
- BNDES does not monitor the projects during the amortization phase. Therefore, supervision of climate risks during the life-cycle of the project would be challenging.

After the training, the recommendations were integrated into the methodological guide.

DAY 3

The third day was dedicated to the Desestatização Area. As many of the trainees had not attended the previous days, we started with a brief introduction of the IPACCII project and the framework to integrate climate risk in the desestatização procedural flow.

After that we presented stage by stage, all activities proposed to integrate climate risk management during desestatização. During the day, many questions emerged, not only from BNDES staff but also from the Management Committee representatives.

One of the main discussions was about how much BNDES could influence the project, given that the project conception occurs at the government level. Other comments and recommendations are listed below following:

- Do not include questions that are not likely to be used in the analysis, since all information that BNDES requests must be audited by the Brazilian Court of Audit;
- Create a risk categorization process during the planning phase, in order to determine which projects will demand a more detailed assessment;
- Climate risk must be considered during the auction/contracting and it must be clear for the public party during the desestatização;
- The criteria to select the winner of the tendering includes, mainly, the value of the tariff, the expected investments and the value of the bid.

SATISFACTION SURVEY

At the end of each day, we handed out a feedback survey in order to assess how useful the training was and to collect improvement suggestions. We had 22 reviews.

The table below shows the consolidated results:

Table 1 - Results of the satisfaction survey about the speakers

		Excellent 5	Good 4	Regular 3	Fair 2	Poor 1	No answer
SPEAKERS	The speakers had considerable expertise in the field	73%	27%	0%	0%	0%	0%
	The speakers had considerable skills to explain and illustrate the concepts	55%	45%	0%	0%	0%	0%
	The speakers had considerable skills to answer the questions	64%	36%	0%	0%	0%	0%



Table 2 - Results of the satisfaction survey about the content

		Excellent 5	Good 4	Regular 3	Fair 2	Poor 1	No answer
CONTENT & ELABORATION	The relevance of the information received at the workshop	68%	32%	0%	0%	0%	0%
	The structure of the training session	55%	36%	9%	0%	0%	0%
	The pace of the training session	36%	55%	5%	0%	0%	5%
	The adequacy of the training agenda	41%	50%	5%	0%	0%	5%
	The quality of the training material	36%	50%	9%	0%	0%	5%
Was the training session in accordance with your level of experience?		YES 100%			NO 0%		

The feedback survey also contained qualitative questions, which main answers are provided below:

Table 3 – Summary of comments and feedbacks regarding the training session

In your opinion, in which aspects did the speakers performed well?	Interaction and encouragement to debate
	Clear explanations
	Organization of the content
	Applicability to BNDES
	Practical examples
What would you recommend as a suggestion for the speakers?	To send the material before the training
	Portuguese speaking
	More interaction during the exercises
	More focus on the theoretical and introductory part
	To do the initial section of general concepts in a slower pace
What did you appreciate the most in the training session?	Speakers' willingness to listen
	Discussion among people from different institutions
	It raised awareness among participants
	Depth of discussion and applicability to BNDES
In your opinion, what can be improved regarding structure, layout and/or materials?	To present more case studies.
	Slides could be previously sent
	More time to introduce concepts and theory
	Provide a booklet to each participant
	Use less paper
Practical case of climate risk classification in other DFIs	



How can the workshop help you in your daily activities?	Deeper understanding about sustainable infrastructure
	Gave me tools to analyse climate impacts on projects
	Raise awareness of climate related financial impacts
	It will allow to propose mitigation alternatives for projects
	Helped me to start thinking about these issues

ANNEX I – LIST OF ATTENDEES

The following people attended the three-day training workshop:

#	Name	Organization Area
1	José Roberto Vieira	BNDES / ADEP
2	Gustavo da Silva	BNDES ADEP / AEP
3	Marcio Gaudioso	BNDES ADEP / AEP
4	Mariana Coutinho	BNDES ADEP / AEP
5	Mateus Francisco	BNDES ADEP / AEP
6	Carlos França	BNDES ADEP / AEP
7	Beatriz Massena	BNDES ADEP/DEPROF
8	Mauricio Bernhardt	BNDES AE/DEENE
9	Clarisse Cortes Moreira	BNDES AE/DEENE/GENE
10	Adriano Carnauba	BNDES AGS
11	Ludmila Costa	BNDES AGS
12	Marcos Ferran	BNDES AGS
13	Marta Bandeira	BNDES AGS
14	Odette Campo	BNDES AGS
15	Patrícia Carneiro	BNDES AGS
16	Raphael Stein	BNDES AGS
17	Bruno Fernando	BNDES AGS/DEGEM
18	Manoel Antonio	BNDES AGS/DEGEM
19	Juliana Freitas Salomão	BNDES AGS/DEGEST/GGEST
20	Rodrigo de Matos	BNDES AGS/DEGEST/GGEST
21	Ana Paula de Almeida	BNDES AGS/DEMAF
22	Rita Gabriela	BNDES AGS/DEMAF
23	Fernando Oliveira Santos	BNDES AI/DEAGRO
24	Marcos Ramos	BNDES AIGR
25	Ana Christina Soares	BNDES AJ/JUAGS
26	Ananci Barbosa	BNDES AJ/JUAGS
27	Caetano Alves	BNDES AJ/JUAGS
28	Ana Beatriz	BNDES AJ/JUGEPS
29	Cristiano da Silva Barros	BNDES AJ/JUNID
30	Cristiano da Silva Barros	BNDES AJ/JUNID
31	Cristiano da Silva Barros	BNDES AJ/JUNID
32	Carina Victorio	BNDES ASG
33	Rodrigo Tosta	BNDES ASG

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34	Laryssa Simas	BNDES AST/DELOG
35	Pedro Henrique Marques	BNDES AST/DEMOB
36	Theo Battaglia	BNDES AST/DEMOB
37	Vanessa Machado	BNDES AST/DESAM
38	Alexandre Gross	IPACC Consultant
39	Karen Cope	Ministry of Economy
40	Fani Mamede	Ministry of Infrastructure
41	Carlos Colombo	Programa de Parceria de Investimentos PPI