COLUMBIA | SIPA
Sustainable Investing Research Initiative

Developing and Scaling up the Global Marketplace for Blended Finance:

3rd SIRI Decisionmakers Blended Finance Roundtable Discussion – Brazil

Columbia University
June 13, 2025

SUMMARY OF KEY INSIGHTS OF THE ROUNDTABLE DISCUSSION

The mitigation of climate change, biodiversity loss, poverty, and other grand societal challenges has historically been primarily financed through public funding and private philanthropic giving. Yet, a large financing gap remains, especially in the Global South. The question is: how can we crowd in more private capital to finance innovative solutions in climate tech, renewable energy, nature-based solutions, social inclusion, and others, especially in the Global South?

The 3rd SIRI Decisionmakers Blended Finance Roundtable Discussion held in June 2025 focused on Brazil. Brazil is among the most critical economies in this world in terms of both economic growth potential, and in regard to being the food basket and lungs of our world. Financing sustainable development in Brazil is not only critical for the country itself but also the world to mitigate climate change, biodiversity loss, and to ensure food security, and inclusive prosperity.

As a lead up to the Conference of the Parties in Brazil (COP30) and to better understand the challenges and opportunities in mobilizing more private capital investments into Brazil, the Sustainable Investing Research Initiative (SIRI) brought together a carefully curated set of key leaders from across sectors, including policymakers, academics, corporate leaders, leading investment managers and asset owners, United Nations (UN), World Bank Group, Development Finance Institutions (DFIs), philanthropies, rating agencies, and others. Specifically, we discussed whether and how Blended Finance can help foster sustainable (economic, environmental, and social) development in Brazil? The roundtable focused on critical industries for Brazil's economy that have the most profound implications for the country's sustainable development. This included the following questions:

- *Sustainable Agriculture*: how can Brazil crowd in more private capital to finance innovative climate tech and nature-based solutions to mitigate and adapt to climate change and ensure food security?
- *Amazon Rainforest & Responsible Sourcing*: how can Brazil crowd in more private capital to finance responsible sourcing and the protection of the Amazon Rainforest?
- *Transition of Hard-to-Abate Sectors*: how can Brazil finance the decarbonization of its steel, cement, and mining industries?
- *Renewables*: how can Brazil mobilize more capital to increase Brazil's renewable energy capacity and support its power shoring and green data centers?
- *Manufacturing*: how can Brazil finance the clean energy transition and power the next generation of electric vehicles and technologies?

In advance of the roundtable, SIRI developed several case studies on selected Brazilian companies and blended finance deals. Those case studies served as the basis for discussion at the roundtable and key leaders were invited to join the discussion. The SIRI Case Studies on Blended Finance and Sustainable Investing in Brazil (2025) booklet is published on our dedicated SIRI Blended Finance webpage and is freely available to practitioners and academic audiences around the world.

The roundtable discussion was under Chatham House rules. We have prepared a high-level summary of the key insights from this roundtable discussion. Our hope is that these insights are helpful in informing future plans and actions of each participating organization and hereby help scale up the global marketplace for blended finance and catalytic capital. Similarly, they inform SIRI's research activities and educational programming.

Keynote Address

The keynote focused on the organizing principles of financing the energy transition in Brazil and other emerging and developing economies (EMDEs). The world has surpassed the 1.5°C warming threshold and it is urgent to take climate action. As the keynote speaker and subsequent discussion highlighted, climate change and the just transition to an inclusive, lower-carbon economy face and raise important environmental, social, economic, and financial issues. The following summarizes the key points:

- Emission externality: The effect of CO2 on the atmosphere is independent of the locality of emission. Hence, decarbonization and capture should be achieved at lowest costs.
    - Carbon markets should be integrated globally with one carbon price to incentivize the global transition.

- Subsidies for R&D to develop new technologies should be used, instead of isolating local markets to "incentivize" industry to develop new technology.
- In contrast, adaptation, consequences of global warming, and climate disaster losses are primarily local.

- Integration of emissions markets: Moving towards full market integration by a group of economies requires the formation of a Climate Coalition with border adjustments.
  - To attract EMDE's to the integrated market, high-income countries (HIC) should stand ready to distribute free tradable quotas to EMDEs.
  - Allowing instead for lower emission prices in EMDEs would induce the move of production from HICs to EMDEs even if total emissions increase.
  - Integration of carbon markets globally would create a flow of capital from HICs that currently face a high marginal cost for decarbonization/capture to the EMDEs which can produce cheap decarbonization or carbon capture.
    - Less expensive decarbonization in some EMDEs.
    - Tropical forests.
  - Even partial integration—i.e., allowing the use of a fraction of carbon credits from EMDEs in HICs markets—would increase efficiency in the fight against global warming.

- Financial flows: Barring market-integration, it is still advantageous for HICs to spend public funds in decarbonization or carbon capture in EMDEs.
    - Current total flows ex-China ~ $100B. $1.3T desired for 2035.
  - Public funds would, holding constant decarbonization effects, have a higher impact, the higher the amount of private capital it attracts.
  - Private capital is more likely to go to places with better governance and fewer FX restrictions. Country spreads may be a good proxy.
  - Scarce HIC public funds should be used in EMDEs with relatively high sovereign ratings. Fortunately, these countries currently produce the lion's share of EMDEs' emissions.
  - Financial engineering can help create incentives and enable risk-sharing. Yet, opportunities are limited. Evidence on yields of US Agency and KfW bonds indicates that guarantees are expensive relative to direct contributions.

- Lower-income countries: Low-income countries (LICs) and many Low-middle-income countries (LMICs) must receive transfers from HICs for adaptation, and for dealing with the consequences of global warming and climate disasters.

- This contribution is morally justified, since HICs have historically produced the bulk of historical emissions and continue to be responsible for a large share of current fossil fuels use.
- It is also in HICs' own narrow interest, because consequences of global warming will increase pressure on migration.

For Brazil, in addition to the financing of the energy transition, questions around how to finance sustainable agricultural practices; the protection of the Amazon Rainforest and the fostering of responsible sourcing; the transition of the hard-to-abate sectors; and how to ensure sustainable manufacturing are of utmost importance. The subsequent roundtable discussion focused on these topics.

Sustainable Agriculture: how can Brazil crowd in more private capital to finance innovative climate tech and nature-based solutions to mitigate and adapt to climate change and ensure food security?

By 2050, the global population is expected to reach 9.7 billion. According to the UN Food and Agriculture Organization (FAO), food production must increase by 60% to ensure food security for this growing population. Brazil is a major agricultural power and the strongest economy in Latin America and the Caribbean. It is a leading producer of coffee, sugarcane, soybeans, corn, beef, and poultry.

However, climate change poses a major threat globally to crop yields due to warmer temperatures, altered rainfall patterns, and increased frequency of extreme weather events impacting agricultural productivity. In Brazil, all these changes are projected to substantially reduce yields for key crops like soybeans and corn—particularly in the Cerrado region—with devastating impacts not just domestically, but globally.

In addition, agricultural productivity and rainforest protection are deeply intertwined. Specifically, deforestation in the Amazon negatively impacts water availability—especially in critical agricultural zones. There is evidence that deforestation reduces rainfall due to changes in wind patterns and moisture recycling. This, in turn, affects non-irrigated agricultural productivity. Preserving water and forest cover can increase crop yield and number of harvests.

Agriculture is important for income, employment, and foreign exchange. Brazil's agriculture sector employs about 9% of the total workforce, and smallholder farmers make up around 75% of this group. They face unique challenges, such as limited access to modern inputs (like seeds, fertilizers, and technology), which could improve efficiency, sustainability, and help lift them out of poverty. While only constituting 25% of the workforce in Brazil's agricultural sector, most of the

dynamism in this sector is created by corporate agriculture and driven by export commodities. Hence, transforming the agribusiness sector is crucial. Large plantation companies that caused a lot of deforestation 20-50 years ago are now aiming to preserve forests and rehabilitate degraded land. To achieve scale, these large agribusinesses need to be part of the solution as they control vast tracts of land, and scaling is impossible without them.

In Brazil, approximately 28 million hectares of cattle pasture are considered degraded. A key priority for the country is to rehabilitate this land. Brazil introduced a national program for conversion of degraded lands into sustainable agriculture and forestry production systems. Increased land protection requirements—sometimes up to 100%—create real changes in companies' business model and offer important opportunities for investors. For example, efforts are underway to convert land previously used for livestock into business models focused on carbon recovery and food security.

Brazil can increase agricultural production without cutting down more forest. Because of its tropical climate, Brazil is incredibly efficient at producing food. If degraded land is regenerated and used wisely, the country can likely double food output.

Rehabilitating land requires upfront investment—and the payoff takes years, often with 15% returns. According to the roundtable participants, these are not speculative investments. In contrast, these are attractive investment opportunities. The challenge is to structure the right financial models and incentives to reduce security barriers. Plus, education is needed.

More funding is needed in agribusiness (and other sectors) and the financing mechanisms need to reflect the above-mentioned realities. To protect native vegetation preservation and finance nature-based solutions, climate tech, and other sustainable agricultural practices, roundtable participants highlighted the following key factors:

- Funding needs to be long-term, cheap, and with well-structured mechanisms.
- Brazil faces high interest rates, which is a challenge.
- Brazil's sovereign credit risk rating is below investment grade, but compared to other EMDEs, it is relatively highly rated.
- Brazil's sustainable agriculture and reforestation have real carbon value. To monetize what is essentially a public good, incentives to invest are key. Guarantees, carbon offsets, and "off-takers" of carbon offsets play a key role. For example, tech companies (and others) are willing to pay for carbon offsets as they are investing in massive server farms and need carbon offsets to meet their climate goals. Brazilian agriculture fits perfectly into that equation. While there is promise in carbon offsets, only a few off-taker contracts

have been closed so far (primarily by the big tech firms). This raises the question of why aren't they "taking off"? The following points were mentioned by roundtable participants:

  - One reason is that this is still a voluntary market, not a compliance market.
  - Another reason is the questionable integrity of carbon offsets. The integrity and certification of carbon offsets (and biodiversity offsets, respectively) is critical. While high-quality forestry projects in Brazil using polyculture, not monoculture, do exist, making progress in improving the integrity of these offsets would significantly help improve off-takers and investors' confidence that they are investing in legitimate, verifiable carbon projects. Improved confidence, in turn, helps increase capital flow and hence advance progress in fighting climate change (and biodiversity loss).
  - Carbon offset agreements have so many outs that they typically do not pass a bank's risk analysis. The projects can be predicted to perform, but the contracts do not guarantee it.
  - By being part of the financing package, development banks and multilaterals can play an important signaling role and foster trust.

- The risk teams of development banks and private banks often do not consider nature-related deals as the traditional risk frameworks used do not fit blended finance deals. These frameworks need to be revised. This includes the incorporation of risk-mitigation mechanisms used in blended finance deals such as guarantees, insurance, etc. Also, new types of insurance should be introduced to address important risks—such as fire risks insurance.
- For asset managers and other investors, fiduciary duty requires them to undertake investments with sufficiently attractive (risk-adjusted) financial returns. Accordingly, finding off-takers who are willing to put a price on carbon is key.
- To leverage international funding for climate projects from institutional investors (and others), appropriate legal structures can and need to be designed. The perceived riskiness of investments is often higher than the actual risk. To lower the perceived riskiness of investment, fostering trust that contracts will be honored is important, and so is lowering the risk of expropriation, and political risk. Also, investors value greater transparency and long-term commitment. They need confidence that, e.g., Article 6.2 (of the Paris Agreement) and carbon trade rules will be honored for decades. To further lower the riskiness of projects, it is helpful to diversify the revenue stream and invest in projects with multiple sources of cash flow (e.g., carbon offsets, food production, etc.).

- Brazil's land certification system needs improvement. That certification system should be more robust than what exists now. From a finance perspective, it is important to verify projects where progress is actually being captured—not just rubber-stamping projects. The core problem is identifying certified land that is owned by someone, where the shape-file of that land can be obtained—land that might belong to Indigenous people—and verify ownership in a way that respects official language and local rules.
- Ideally, the government would take broader action to protect nature at large scale. This would avoid the piece-by-piece (plot-by-plot) approach that the private sector is able to undertake, which has its limitations. Yet, in absence of effective government regulation, private sector action and public-private-philanthropic partnerships might be the only way to make progress in financing sustainable development.
- In addition to providing financial solutions—and just as important—there is a tremendous need to build non-financial localized capacities through awareness, knowledge, and skill-sharing. Education in blended finance and sustainable investing of leaders across sectors (including ministries of finance, asset owners and managers, local banks, DFIs/MDBs, and others) is needed to overcome organizational inertia, unnecessary roadblocks, and to speed up the dealmaking process.

Amazon Rainforest & Responsible Sourcing: how can Brazil crowd in more private capital to finance responsible sourcing and the protection of the Amazon Rainforest?

There is serious concern that the Amazon rainforest might reach a tipping point by 2050, which could lead to irreversible shifts in the ecosystem and have severe consequences for the region and the planet. In the Amazon, this could mean a transition from lush rainforest to a dry savanna.

Brazil recently adopted its Forest Code (and other legislation) which mandates increased land protection, aiming to conserve native vegetation and biodiversity on private lands. In particular, the Forest Code mandates that landowners in the Amazon maintain a certain percentage of their land as Legal Reserves, typically 80% in the Amazon biome and 35% in the Cerrado within the Legal Amazon. These areas are critical for biodiversity conservation, ecosystem services, and sustainable resource management.

As previously mentioned, the biodiversity and climate crises are deeply intertwined, and so are forestry and agriculture. Many of the key factors raised in the previous discussion on agriculture also apply to the Amazon rainforest. We will not repeat them here. The following additional points were highlighted by the roundtable participants:

- In terms of project economics, trees planting is important. Yet, it is not just about carbon credits. It is equally important to ensure that trees remain standing for 20-30+ years. A lot of these forests can produce cocoa, coffee, and other high-value products, offering multiple revenue streams that go beyond carbon credits. (Multiple revenue streams, in turn, help diversify the risk of investment.) Cash flows can be very attractive. Yet, what is needed is an incentive structure that helps people plant trees that make money—trees that support long-term, sustainable cash flows from private land. Trees need to gain value over time and provide greater value for business when standing than cut down. Otherwise, there is no motivation for landowners to keep the trees standing.
- Around 20% of the Amazon land is deforested. Deforestation is one of the greatest risks to climate stability, and it is largely illegal. Over 90% of deforestation in Brazil is unlawful. That raises enormous issues around law enforcement in a country the size of Brazil. In addition to deforestation, another 38% of the remaining forest is considered degraded due to human activities like fires, selective logging, etc.
- Fire risks are a serious concern in the Amazon. Fires can result from human activity—like clearing land or traditional burning practices—and are a major driver of deforestation. They destroy decades of regeneration. One of the current problems in Amazon-based projects is that we often need active regeneration—sending people to plant trees manually. And that is a challenge, especially when it comes to biodiversity. Regenerating biodiversity is incredibly complex. The Amazon's biodiversity is vast, not just in terms of the number of species but also in their distribution patterns.
- Ideally, the government should undertake large-scale regeneration and conservation efforts. Governments should play a major role in supporting and scaling these projects. This would also help secure financing from banks. Yet, such efforts require coordination, and governments are not acting decisively. In many cases, it is individuals and smaller organizations that are actually taking action.
- Pricing mechanisms for externalities are critical. They influence behavior. And this is not just about climate and biodiversity—there is a strong social dimension as well, especially considering indigenous communities. Pricing and incentives need to be aligned across environmental and social goals.
- When structuring blended finance deals, the following factors needs to be considered:
    - Conservation and reforestation efforts need to add value to the forest and create value for business.
    - Need to find the right balance between returns for investors and impact, as well as between junior and senior tranches (derisking vs overprotecting).

    - Contracts need to be kept simple. Don't over-structure them.
    - Need for technical facility to support operators and capacity building on the ground.
- Participants experienced the following challenges when launching a blended finance fund:
    - Determining the right size of the product and market.
    - To launch the fund, an NGO needs to be created which complicates things and takes time.
    - Aligning the different drivers, regulations, and frameworks is complex and takes time. Mapping them for the different capital providers (and jurisdictions) would greatly help facilitate the creation of partnerships and blended finance funds. Regulatory frameworks, financing structure, technical capacity, and impact all need to be aligned, and this is on top of raising the needed capital.
    - Getting DFIs/MDBs on board to give the "stamp". This is further complicated as the local development banks seem to have little understanding of blended finance. Training and education are needed.
    - Finding expertise within the investment team is also tricky. Again, there is a need for training and education.
- Asset managers experience/expect a shift in their clients' (especially high-net worth clients and family offices) investment interests from public to private markets. Their clients' attention is on long-term investment opportunities (for both their foundation and investment capital). They prefer persistence and to partner with organizations who are long-term investors in funds (1, 2, 3, etc.) While geographic and impact preferences are heterogenous across private wealth clients, the complex structures of blended finance deals are not easily comprehensible for them—these structures need to be simplified and explained.
- Overall, to make progress and scale up blended finance in Brazil, participants highlighted the need for:
    - Education and training across all players, including ministers of finance/economy, investment teams, DFIs/MDBs, local banks, asset owners, family offices, etc.
    - Academic research on what is working and not working.

***Water and Sanitation: how can Brazil finance universal access to clean water and sanitation*?**

In Brazil, universal access to potable water and basic sanitation services remains a significant challenge. Approximately 35 million people in Brazil lack access to treated water, while around 100 million do not have access to sewage collection and treatment, which leads to severe public health issues. This is as much of an infrastructure issue as it is a social, economic, and environmental issue.

More funding is needed to finance universal access to clean water and sanitation. The impact would go beyond clean water and sanitation—it would include improvements in climate adaptation and mitigation, public health, children's education, the people's ability to work and economic inclusion, etc., and hereby help transform the lives of millions of people.

Privatization of companies in Brazil can be an opportunity to create value for companies and their shareholders as well as vulnerable communities. A blended finance approach can be used by combining private investment with public funds to achieve universal sanitation goals. A percentage of the proceeds from the sale can be reinvested into a blended finance fund, which helps maintain affordable tariffs for vulnerable populations. The key is to make sure that i) the structure is preserved, and ii) the funds are used with the intention they were created for. Mechanisms like this can help ensure that private companies, which ultimately must deliver financial returns to shareholders, also work to serve populations who rely on basic services like sanitation. This is a way to maintain reasonable tariffs and ensure access for those who need it most.

Providing access to clean water and sanitation—and hereby fostering sustainable development—in the Amazon requires a decentralized approach to create value. Only through a decentralized approach will the people be able to remain in the forest and protect it. One of the ways to support economic and social development is by helping people stay in the forest with dignity. To do that, projects (and employment)—whether supply chain-based or tied to specific companies—are needed that support that vision. In regards to sanitation in rural areas, technical solutions and solutions for operating and managing these sanitation projects, have been developed. They typically do not need concessional funding approaches. Yet, when it comes to small communities, the technical and investment aspects are harder. The business model needs to be adapted. These communities might be able to pay for operation and maintenance of the system, but not the initial capital cost.

While universal access to potable water and basic sanitation has strong positive externalities, measuring them in a way that resonates with investors is important to convince them that these are viable investments. The importance of measuring and demonstrating the value of such investments was highlighted by several participating capital providers (see the following points of discussion).

What does it take for global investors to put more money into water and sewage systems?

- Several water and sanitation utilities are coming to market in Brazil. Yet, not all of them are top-tier utilities who aim to improve service coverage and quality, decrease costs, and are transparent. Plus, regulation in Brazil can be difficult to maneuver. Many of these utilities are poorly managed and/or lack experience in dealing with compliance and the regulatory environment. For those utilities, the cost of capital and equipment becomes exponentially higher. To expand impact, it might be more attractive for investors to invest in top-tier operators—who already know how to navigate regulation and compliance—to scale up their impact and expand to more regions, even if this comes with political challenges. Investors would likely face steeper challenges to bet on second-tier players.

- To mitigate foreign currency risk exposure, MDBs would be best placed to address them given their scale and diversification potential. MDBs can use various risk-mitigation tools. Based on insights from participants, the MDBs are indeed working on this and progress is on its way. For example, about 15 years ago, the Currency Exchange Fund (TCX) was created (https://www.tcxfund.com/). It takes a portfolio approach to managing foreign exchange risk in developing and frontier markets. By hedging currency risk, TCX contributes to more sustainable development. Its aim is to develop local capital markets, while protecting its shareholders' investments and their clients. These solutions consist of financial instruments (swaps & forward contracts) that enable TCX's investors and clients to provide their borrowers with financing in their own currency, while shifting the currency risk to TCX. They are therefore protected from any currency volatility. (For further information, see https://www.tcxfund.com/.)

  Taking on currency risk is not without challenges, even for MDBs like the World Bank as they are heavily capitalized. These risks cannot be taken on at scale without solving the capital constraint within the institutions themselves. Despite these challenges, MDBs (and similar international organizations with innovation capacity and diversified portfolios) are likely to be in the best position—not the only one, but the best positioned—to solve the problem of currency risk. In contrast, private sector players and banks are unlikely to (be able to) solve the foreign currency risk. Solving this as a systemic issue requires action at the MDB or DFI level.

- To attract more private capital into water and sewage systems, participants highlighted the need to connect water and sanitation to climate, not just development, in order to tap into the pool of climate finance available. Private investors—especially institutional investors—tend to focus on climate (especially on climate mitigation) and increasingly on nature, but much less on social and development. Investors often expect clear climate angles and, if those are not there, they might dismiss the project. In case of water and

sanitation, a clear connection can be made to both climate adaptation and mitigation—and, this connection has to be made (ideally with empirical data) in order to attract more private capital funding. Also, there are many other benefits, especially social benefits. Connecting more people to clean water and sanitation is critical for sustainable development. Yet, these social benefits are not always the primary consideration for investors and other decisionmakers. Hence, aligning them with traditional climate mitigation frameworks is important. (The focus tends to be on climate mitigation, less so on climate adaptation. Yet, water sector projects tend to be framed in terms of adaptation. Providing stronger mitigation arguments would be helpful to attract more funding.)

- Most of the climate mitigation funding tends to go toward energy—projects that change the source of energy to something cleaner. And in Brazil's case, that is more difficult to justify because the country already has a relatively clean energy matrix in terms of greenhouse gas intensity, especially compared to other parts of the world.
- For asset managers, transparency about metrics and impact are considered to be key in smoothening both internal and external processes. Having a clear framework (including metrics and how projects and impact are aligned and evaluated) is valuable for internal governance, approval, impact tracking, and for seeking external funding. For example, when a bond is labeled (e.g., green bond, blue bond, social impact bond, etc.), it makes it easier to get internal approval and allocate capital, as well as to communicate externally with clients/asset owners and other stakeholders. As such, labeling itself can help with education (of the relevant investors, stakeholders, and partners) and hereby add value. Moreover, standardization of impact metrics and frameworks helps facilitate the investment process and—through education and demonstrating impact—bring the broader investment community on board to engage in impactful investments.
- Brazilian foundations are often reluctant to engage in program-aligned investment and to engage in blended finance deals by providing concessional funding (be it as a grant or program-aligned investment). The reasons behind this reluctance are multifold—a lack of understanding, uncertainty about the interpretation of the fiscal rule, reputation risk, etc. For example:
    - Brazilian philanthropies are tax-exempt and as such have a fiscal incentive to maintain their status. The current legal opinion of the fiscal authority is that philanthropies lose that tax-exempt status if they start investing in the private sector and earn financial returns. The authorities do not differentiate between profit generation versus use of profits. That is, if profits are reinvested into program-aligned investments or other impact-driven activities, then this should theoreti-

cally be allowed. Yet, it does not appear that this is how the current fiscal authorities interpret such investments. Roundtable participants mentioned that they spend years with lawyers just trying to explain what they are doing in order to create enough legal certainty to proceed with the investment.

  - Grants and program-aligned investments should be treated separately. Yet, this is seldom done. Even offering grants can raise red flags, legal uncertainty, and reputation risk—all of which can be costly.
  - Brazilian philanthropies are afraid of reputational damage when engaging in blended finance deals (even if providing grants as opposed to program-aligned investment) due to i) a lack of understanding of blended finance structures and misunderstanding among government officials, local development banks (e.g., BNDES), and the broader public. In fact, roundtable participants stated that there seems to be even a lack of understanding of basic concepts in sustainable finance. Given their lack of understanding, government officials tend not to authorize such blended finance transactions, and investments of local development banks tend to get stuck in the process.
  - Moreover, philanthropies tend to be afraid of being involved in a scandal caused by private sector players. In such situations, individuals could be held personally liable—so no one wants to take that risk and engage in a partnership with private sector partners.

- The lack of understanding among government officials, asset managers, foundations, and others is a critical issue faced in Brazil and highlights, once more, the need for education about blended finance and dialogue across sectors. For example:
  - When trying to put together a blended finance facility for underserved communities, some private investors in Brazil reacted negatively once they learned about the partnership with the public sector. So even with capital or technical expertise, investors were very reluctant to participate. This, once again, highlights the need for education and dialogue across sectors.
  - Differing timelines across capital providers and authorities can lead to delays, misunderstandings, and sometimes contract failure. Even if a timeline is in place to complete the project, sometimes the licensing gets delayed, or modifications do not happen on schedule. As a result, investors get penalized for not meeting the original timeline, even when it was not their fault. That creates tension between the implementing agency, the regulator, and sometimes the government itself. While timeline challenges per se are not systemic failures nor necessarily deal-breakers, it is important for asset managers (and others) to communicate that

they are part of the process and manageable. Still, explaining this timeline challenge is tricky and requires a lot of negotiation and mediation—all of which is time-consuming and costly. Developing (better) policies would help make the investment process smoother.

Renewables: how can Brazil mobilize more capital to increase Brazil's renewable energy capacity and support its power shoring and green data centers?

Brazil stands out as one of the world's largest producers of renewable energy. Brazil is the largest electricity market in Latin America, the world's sixth-largest consumer electricity market, and has the seventh largest electricity generation capacity in the world. The renewable energy sector accounts for around 85% of the Brazilian electricity matrix, while the global average is around 25%. The energy distribution sector in Brazil is very fragmented.

Brazil's energy sector depends heavily on auctions to procure energy and capacity, particularly for the regulated market. These auctions are a key mechanism for attracting investments in renewable energy and ensuring a secure and cost-effective energy supply.

A lot of investment opportunities in renewable energy and infrastructure projects exist in Brazil. The technologies are competitive and yield relatively high returns. Yet, the cost of capital is high. Regulatory risk, political risk, and foreign exchange risk exposure are high and interest rates cannot be fixed beyond 6 months—all of which makes it difficult to attract foreign private investments, especially investments in equity, as private investors typically are seeking stable cash flows, long track records in returns, and minimum exposure to foreign currency risks.

Participants pointed out that there is an important opportunity to attract private investors who are willing to invest at a lower rate of return, provided that the risk is kept low. These investors value stability and reliability. The cost of capital does not have to go up to accommodate the risk—if the risk profile is brought down. Investors are liability-oriented and hence providing downside-protection is critical.

Creating innovative financing structures that help bridge the project development phases are key. For example, financing structures that index the revenues to dollars (i.e. customers are charged in dollars) can help address currency risks. Similarly, first-loss guarantees, risk insurance, off-takers, and other de-risking tools can decrease the risk of investment. Also, bringing in in-country aligned capital that can cover things like the "J-curve" (i.e. the typical pattern of investments experiencing initial losses followed by positive fund returns as investments mature) can further lower the risk profile. Overall, the financing structure needs to take into account the project development phases and provide the necessary downside protection.

To mitigate foreign currency risk exposure, various risk-mitigation tools exist (e.g., those developed by the World Bank and others). Those are particularly accessible and useful for larger projects. Having said this, the availability of concessional capital in general has decreased in recent months. For small- and mid-sized projects, the situation is worse as those currency risk-mitigation tools are typically not accessible to them—the ticket sizes are too large for them. Hence, a key question is how to bridge the capital gap from smaller to larger funds?

- Such funding is provided by, e.g., UN CDF. To expand the availability of such (limited) catalytic capital, roundtable participants suggested to introduce a "sharing returns model", i.e. to share part of the gains of commercial product investments with the providers of concessional capital once a certain return (of say 15%, 18%, or whatever the return is) has been achieved. This way, a sustainable financing model is introduced that replenishes the pool of available concessional capital.
- Guarantees from off-takers, MDBs, DFIs, and international agencies can help mitigate risk.
- Banks can design innovative financial instruments that include "carrot and stick" provisions, by linking the financial terms to, e.g., achieving/missing certain key indicators. Relatedly, unearned portions of the margin—what the company would have had to pay—could be donated to an organization that can actually invest in certain projects or provide technical assistance.
- Instead of seeking money from the source of concessional capital providers (such as the Green Climate Fund, Climate Investment Funds, Global Environment Facility, IADB, etc.) directly, companies could try to identify who has already received such concessional money. Those could serve as important intermediaries and partners as they might be struggling to deploy their capital and are on the lookout for viable projects.

Governments can play an important role in mitigating risks and in decreasing the reliance on concessional capital. For example, in cases where developing renewable and solar-plus-storage projects rely on the availability of land and connectivity to the grid, the government can reduce this risk by taking care of this before they bid out the solar projects. They could secure the land leases and ensure grid connectivity before construction begins. Whoever wins the auction will be provided with that land and connection. This essentially eliminates the need for de-risking, because much of the typical risk—access to land, transmission, grid connection—is already addressed.

Roundtable participants stressed the importance of using concessional capital efficiently. To ensure a "transition", concessional capital and derisking mechanisms should ultimately be phased out over time. Derisking mechanisms aim to mitigate risks, especially in the beginning. Over time, those risks should decrease and investments become attractive enough, reducing the need for derisking and concessional capital.

As markets mature, positive and negative externalities need to be priced in and companies should start valuing and paying for quality (e.g., paying a premium for high-quality carbon credits).

Local capital could make a big difference. It is about creating the right incentives to bring that capital to the table. Roundtable participants highlighted the importance and challenge of attracting local capital, i.e. capital provided by local banks and other institutional investors to sustainable energy projects within the same municipality. For institutional investors, investing in Treasuries is very attractive given the low risk and high returns achieved. This gives them little incentives to invest their money elsewhere, such as local (renewable energy) infrastructure projects and other projects within their own municipalities. Redirecting more of the domestic capital towards local projects aligned with sustainable development would make a significant difference. The central (and local) Government(s) could create the right incentives to redirect the domestic flow of capital and bring it to the table.

- An increasing number of local state-level banks in Brazil are starting to shift their focus slightly to include impact considerations (such as investments to decarbonize their states). For example, some of them decided to invest some of their oil and gas royalties into a green finance vehicle within the bank to provide concessionary credit to companies and projects that can help decarbonize their system.
- To further encourage investments by local institutional investors (e.g., sub-national pension funds) to invest a certain percentage within their own municipalities, roundtable participants suggested that the Brazilian government could set a maximum cap on how much investment an institutional investor (e.g., pension fund, bank) can invest into government securities. Similarly, tax incentives could be provided to institutional investors in local markets to make investments locally—instead of buying Treasuries, for which they might have to pay taxes on the returns.

NEXT STEPS & AVENUES OF COLLABORATION

We hope the above summary helps inform future plans and actions of each participating organization about the critical bottlenecks and opportunities in developing and scaling up the Brazilian marketplace for blended finance to help foster sustainable (economic, environmental, and social) development in Brazil.

Furthermore, and as previously mentioned, SIRI developed the SIRI Case Studies on Blended Finance and Sustainable Investing in Brazil (2025) booklet. It highlights several case studies on se-

lected Brazilian companies and blended finance deals. The case booklet is published on our dedicated SIRI Blended Finance webpage and is freely available to practitioners and academic audiences around the world.

To stay engaged with SIRI and informed about its various activities, please join the mailing list and visit the dedicated webpage: https://siri.sipa.columbia.edu/content/blended-finance.

We will hold future roundtable discussions and conferences on blended finance in the near future. Specifically, the 2nd annual SIRI Blended Finance Conference will be held at Columbia University on September 24, 2025, followed by the 4th roundtable discussion which will be focused on Indonesia and take place in late Spring 2026 in Bali, Indonesia. Once again, we will develop case studies and invite carefully selected key leaders who are investing and operating in the specific country of focus – Indonesia.

Please save the dates:

- **2nd Annual SIRI Blended Finance Conference – Wednesday September 24, 2025**
- **4th SIRI Decisionmakers Blended Finance Roundtable Discussion on Indonesia – Spring 2026 (date tba)**

To drive progress and help scale up the global marketplace for blended finance, SIRI would be delighted to engage you and/or your organization in its various activities across education, research, and dialogue. Collaborations can take on many different forms:

1) co-hosting SIRI Blended Finance convenings and other activities to foster dialogue among leaders from academia, public policy, and the private sector around blended finance;
2) writing case studies and fostering academic research on blended finance;
3) developing better measures to track progress on addressing climate change, biodiversity loss, and other system-level challenges;
4) supporting curriculum development and extra-curricular activities for graduate students (including case studies, consulting projects, internships, job opportunities, etc.) to educate the future leaders in finance, business, and policy; and
5) developing workshops, training, and executive education around blended finance to educate the current leaders in finance, business, and policy.

If you or/and your organization are interested to explore potential avenues of collaboration with SIRI, please reach out to SIRI Director Professor Caroline Flammer (caroline.flammer@columbia.edu) and Associate Dean Katherine Benvenuto (kad57@columbia.edu).

THANK YOUS

A big thank you to everyone for joining the 3rd SIRI Decisionmakers Blended Finance Roundtable Discussion. Your insights were invaluable to the conversation (and to this summary report) and to making progress in developing and scaling up the global marketplace for blended finance!

A special thank you goes to our Sponsoring Partners Mirova, Sabesp, SIMFO, and Vale, Knowledge Partner Origination, as well as Chandana Yelkur (SIRI), Osvald Bjelland (Origination), Thomas Giroux (Mirova), Frédéric de Mariz (UBS Latin America), Luciana Ribeiro (eB Capital, Co-Lead of B20 Brazil), and Vincent Shen (SIMFO) for their advice and help in organizing and bringing you all together.