

Evaluation Summary

Evaluation of the three first sustainable projects implemented by Banco Regional de Desenvolvimento do Extremo Sul (BRDE) and supported by AFD

Country: **Brazil**

Sector: **Financial (DFI)**

Evaluator: **ERM Brazil**

Date of the evaluation: February 2025

Key data on AFD's support

Project numbers: CBR1063; CBR1090; CBR1100; CBR1110

Amount:

- BRDE 1: EUR 50M (credit facility) + EUR 800 000 (grant)
- BRDE 2: EUR 70M (credit facility) + EUR 500 000 (grant)
- BRDE 3: EUR 100M

Disbursement rate: 100%

Signature of financing agreement: BRDE 1, 2017; BRDE 2, 2020; BRDE 3, 2022.

Completion date: BRDE 1, 2020; BRDE 2, 2022; BRDE 3, ongoing

Total duration: 7 years from the launch of the partnership.

Context

In April 2014, the Brazilian central bank (BACEN) adopted a resolution for the establishment and implementation of socio-environmental responsibility policies by regulated financial institutions. At that time, the National Bank for Economic and Social Development (BNDES) was reducing the availability of resources for regional development institutions. The Regional Development Bank of the Far South (BRDE) had approved a new 2016-2020 strategic plan focused on financing projects that have a positive impact on the climate. In this context, BRDE developed its Social and Environmental Responsibility Policy and the Sustainable Production and Consumption (PCS) programme. To ensure financial, operational and asset sustainability, BRDE also sought to strengthen new partnerships. The partnership between the French Development Agency (AFD) and BRDE was established to support the bank's transformation into a sustainable development bank.

Actors and operating method

The partnership involved AFD – as funds provider, and BRDE – as project owner, supported by technical consultants such as ERM and I Care.

The operating model combined long-term credit lines with targeted technical assistance, enabling BRDE to finance sustainable projects while simultaneously strengthening its internal governance, risk management, and alignment with the UN Sustainable Development Goals (SDGs). This co-financing and capacity-building approach was structured through three successive projects, each deepening BRDE's institutional transformation and outreach.



Objectives

The three successive projects aimed to diversify BRDE's funding sources, reduce its reliance on BNDES, and strengthen its capacity to finance sustainable, climate-aligned, and socially inclusive projects, in line with the UN Sustainable Development Goals (SDGs). Eventually, the partnership's goal was to support BRDE's role as a regional leader in sustainable finance and development.

Each project was built on the previous one: BRDE 1 focused on renewable energy and environmental risk management; BRDE 2 expanded into health, education, and cultural heritage while introducing SDG-based project analysis; and BRDE 3 emphasized gender equality (SDG 5), supporting female entrepreneurship.

Expected outputs

- Disbursement of €220 million in credit lines to finance sustainable subprojects aligned with the UN SDGs.
- Implementation of SARAS/SARASC, BRDE's socio-environmental and climate risk management systems.
- Revision and institutionalization of PRSA/PRSC, BRDE's sustainability policies.
- Development of SDG-based project analysis tools and eligibility criteria for sustainable financing.
- Training of BRDE staff in ESG, climate risk, and gender equity practices.
- Support for female entrepreneurship, including the launch of the South Entrepreneurs program and targeted training initiatives.

Performance assessment

Relevance

The projects were relevant in several respects : (i) their objectives directly dialogued with BRDE strategies, namely the bank's social and environmental policy (ii) the credit facilities filled the bank's financial gaps left by the reduction of BNDES resources and met the market needs, and (iii) the technical cooperation was consistent with BRDE's capabilities, giving traction to the bank's sustainable transformation process towards SDGs support. Throughout implementation, timely review of alignment with BRDE strategy, market needs and adjustments in intervention logic occurred, allowing for the overcoming of challenges.

Coherence

The three projects demonstrated strong coherence, each building logically on the previous one while maintaining alignment with BRDE's strategic goals and Brazil's national and regional development policies. From the initial focus on environmental risk and renewable energy to the later inclusion of SDG-based financing and gender equality, the projects evolved in response to institutional learning and changing priorities.

Effectiveness

The three projects proved effective in achieving their core objectives, enabling BRDE to expand its sustainable financing portfolio, implement robust socio-environmental and climate risk systems, in line with national regulations and requirements of international funders, and enhance its institutional capacity through targeted technical assistance. Credit lines were nearly fully disbursed, supporting dozens of subprojects compliant with newly defined eligibility criteria, despite a limited sectoral diversification. Staff training, governance reforms, and the adoption of SDG-based project analysis tools contributed to operational improvements. While some goals—such as gender-focused financing—faced structural challenges, as operational specificities prevented the bank to target women, the overall effectiveness of the partnership was evident in BRDE's strengthened role as a regional development bank.

Efficiency

Projects demonstrated solid efficiency in their implementation, with nearly full disbursement and streamlined operational flows despite initial challenges. BRDE adapted quickly to AFD's requirements, integrating eligibility criteria and risk assessments into its credit processes while maintaining agility and low bureaucracy for clients. TA supported automation and simplification of procedures, improving turnaround times and internal capacity. Nevertheless, some reporting gaps limited the bank's ability to monitor the subprojects results, namely environmental results, and exchange rate complexities persisted.

Impact & sustainability

Projects had a transformative impact on BRDE's institutional capacity, market positioning, and ability to promote sustainable development in Southern Brazil, advancing its sustainability agenda. They enabled the bank to finance subprojects that would otherwise be unviable, especially in renewable energy, infrastructure, and social sectors. This partnership has helped to integrate environmental, social and climate considerations into the bank's core activities.

Added value of AFD's contribution

AFD's contribution brought substantial added value to BRDE by combining financial support with strategic technical assistance that catalyzed institutional transformation. Beyond funding, AFD enabled BRDE to implement international best practices in ESG, risk management, and SDG alignment, positioning the bank to attract new international partners and diversify its funding sources. After AFD first project, in 2020, the bank actually managed to raise funding from another supplier. This partnership made AFD not just a lender but a key enabler of long-term development impact.

Conclusions and lessons learnt

The partnership between AFD and BRDE proved to be a strategic and transformative collaboration, enabling BRDE to evolve into a leading regional development bank with a strong sustainability focus. Through three successive projects, the bank diversified its funding sources, implemented robust socio-environmental and climate risk management systems, and aligned its operations with the UN Sustainable Development Goals. The combination of long-term credit lines and targeted technical assistance was essential to institutional strengthening, operational modernization, and the expansion of BRDE's sustainable financing portfolio.

Key lessons learned include the importance of tailoring eligibility criteria to local market realities, especially in sectors like agribusiness and gender-focused financing. The partnership highlighted the need for improved but simplified impact monitoring systems, both as accountability and learning tool. There is a need for flexible operational models that balance international standards with regional constraints. Technical assistance emerged as a critical lever for transformation, and future projects should continue to integrate capacity-building components to ensure lasting institutional change.

The recommendations concern the operationalization of the environmental and social risk assessment and monitoring system through its integration into the credit risk analysis system, an action plan for clients with high socio-environmental risk and a dedicated governance for sustainability and climate risk. To foster financing for Climate adaptation and resilience, a specific thematic line should be created, capacities in terms of identification and structuring of climate adaptation projects should be strengthened and a technical guide should be developed. The evaluation also recommended to engage more with intermediary institutions such as NGOs and microcredit cooperatives to reach underserved populations, and namely women.