

BRAZIL - EVALUATION OF THE RENEWABLE ENERGY PROJECTS AND ASSOCIATED TRANSMISSION

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BACKGROUND. The Brazil Renewable Energy Projects and Associated Transmission is the first project in Brazil evaluated by the Independent Evaluation Office (IEO) of the New Development Bank (NDB) in 2022-2023.

PROJECT BACKGROUND. The NDB Board of Directors approved the project in April 2016 for a total anticipated cost of USD 600 million, of which NDB financing represented USD 300 million. The Brazilian Development Bank (BNDES) was the borrower and executing agency of the project. The project's main objectives were to promote adequate and reliable supply to meet the future demand for electricity in Brazil and achieve the planned additional capacity through alternative forms of renewable energy.

During its implementation, a significant amount of co-financing was mobilized of around USD 845 million, bringing the total investments to around USD 1.145 billion. The main project activities were the construction of infrastructure for generating renewable energy, implemented in the States of Bahia, Minas Gerais, Pernambuco, and Piauí.



Umburanas, Bahia

MAIN FINDINGS. Overall, the project has been satisfactory and made a useful contribution to generating renewable energy in Brazil. A large part of the credit for the positive outcomes is due to the experience and track record of the BNDES in managing such interventions, but to a lesser extent due to the engagement of the NDB, which, apart from providing loan financing and finalizing the design report, did not proactively engage in the operation during implementation. Nevertheless, it is fair to recognize that this was NDB's first operation in Brazil, and staff capacities and resources at the time were clearly limited.

The project was relevant to the strategic priorities of both the Government of Brazil and State authorities. It contributed to enhancing Brazil's renewable energy capacity overall, which has risen at completion to more than anticipated at design, and also contributed to the reduction in overall carbon dioxide emissions of the country. Having said that, the evaluation also concludes that the design could have been more explicit on the ultimate socio-economic and developmental impacts and transformations, including at the community level, that the operation had the potential to generate.

PROJECT DATA

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| Approval date: | April 13, 2016 |
| Effectiveness date: | February 9, 2018 |
| Project closing date: | April 26, 2020 |
| Total project cost at approval: | USD 600 million |
| NDB financing: | USD 300 million |
| Leverage: | USD 845 million |
| Total project cost at completion: | USD 1.145 billion |
| Executing agency: | BNDES |
| Wind turbines installed: | 277 |
| Solar panels installed: | 594,700 |
| Additional renewable energy generation: | 834 MW annually |
| CO ² emission reduction: | 1.58 million tons annually |
| Jobs created: | 7,500 |
| Sustainable Development Goals: | SDG 7, SDG9, SDG12, SDG13 and SDG17 |

While recognizing the limited capacities of NDB at the time this project was designed and implemented, the evaluation found that insufficient efforts were made to ensure wider dialogue with Federal and State Level authorities and other international development partners as well as to document and share lessons and good practices. The lack of a dedicated country strategy to guide the NDB-Brazil partnership has also constrained synergies across all NDB

activities in the country for deeper development results and impact.

The NDB set up its Americas Regional Office (ARO) in Brazil after the project's construction activities were completed. Moving forward, establishing the ARO offers an important opportunity for the NDB to further strengthen its activities and partnerships in the country.

RECOMMENDATIONS

Recommendation 1: Further strengthening the relationship with BNDES and other Subnational Development Banks

NDB should further strengthen its collaboration with BNDES and other subnational development banks, leveraging these partnerships to provide essential funding and financial flexibility. Aligning its financing with such banks and their internationally recognized robust policies, NDB can streamline resource allocation and project supervision, freeing up resources to enhance the final impact of projects funded.

Recommendation 2: Prepare a Brazil-NDB country strategy and explore the possibility of developing a sector strategy

NDB should prepare a comprehensive Brazil-NDB country strategy to guide medium-term NDB activities in the country, and be rooted in meticulous diagnostics and insights covering proposed lending and non-lending activities. Moreover, given the growing investments in the energy sector, NDB Management may also consider preparing a dedicated global policy or strategy on the topic in the near future.

Recommendation 3: Project designs should focus more robustly on impact achievement and include provisions for social development

Future project designs should focus on impact achievement and incorporate provisions for social development. NDB-funded initiatives, such as renewable energy projects, must encompass specific components and financing for social development within project areas to proactively enhance the well-being of local communities.

Recommendation 4: Work closely with Government at different levels

NDB should forge closer collaborations with Brazil's federal,

state, and municipal levels of government. Establishing these strong relationships will be critical to conceptualizing development projects, ensuring they are properly anchored into Government's wider development policies and strategies. Such projects should also include components for capacity building and implementation support.

Recommendation 5: Knowledge management and communication plans

NDB should proactively implement knowledge management and communication plans for each project funded in Brazil and beyond. NDB should systematically identify, document, and share valuable lessons and good practices using a variety of communication channels. These efforts will allow NDB to scale-up its impact and share experiences for greater collective development effectiveness.

Recommendation 6: Enhance NDB's additionality – social, environmental, gender, and global south cooperation

NDB, as a Multilateral Development Bank with Global South member countries, should enhance additionality in its future projects for enhancing impact. By leveraging the vast and diverse knowledge, good practices, and experiences of NDB member countries, especially on social, environmental, and gender aspects, NDB can significantly augment its project's outcomes. While doing so, NDB should ensure that project designs and implementation with these additionalities remain efficient, capitalizing on national systems, leveraging knowledge and capability to complement NDB's expertise, and drawing on good practices from the Global South.

THE INDEPENDENT EVALUATION OFFICE

The NDB Independent Evaluation Office was established in April 2022. The Director General of IEO reports directly and exclusively to the NDB Board of Directors. The main objective of IEO is to promote accountability and learning for enhancing the Bank's performance. IEO conducts a range of independent evaluations at different levels: evaluations of projects and programmes as well as of policies, strategies, instruments and corporate processes.

Evaluation Lens provides a short summary of evaluations conducted by IEO. The full evaluation report and related documentation may be accessed through the IEO web pages.

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