Navigating political dynamics, institutions and ideas: Climate finance trajectories in Brazil

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Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work.

I declare that my thesis consists of approximately 77,200 words.

Abstract

This thesis examines the evolution of climate finance in Brazil, focusing on its conceptual, policy, and institutional dimensions within the country's governance and political landscape. It conceptualises climate finance as both a governance tool and a contested political space, shaped by institutional legacies, ideas, and stakeholder negotiations.

By tracing Brazil's climate finance trajectory from 1995 to 2020, the research highlights the interplay between structural constraints - such as entrenched policies and institutions - and ideational shifts that frame low-carbon development as either an economic burden or an opportunity. It reveals the fragility of institutional progress amid shifting political contexts, demonstrating the enduring "stickiness" of entrenched logics and practices.

The study also introduces the concept of climate finances, drawing on boundary objects, to capture the multiple, often conflicting, meanings ascribed to climate finance by different actors. While this interpretive flexibility enables collaboration, it also obscures power asymmetries, reinforcing dominant financial and governance structures.

Finally, the thesis examines the role of the Brazilian Development Bank (BNDES) as an institutional actor in climate finance governance. It posits BNDES not just as a financial intermediary but as an agent of institutional work, actively shaping norms, investment priorities, and governance structures. However, its reliance on project-level interventions and susceptibility to political volatility constrain its ability to drive systemic transformation.

Theoretically, this thesis contributes to debates on the politics of climate finance, institutional change, and power asymmetries in governance. Empirically, it sheds light on the dynamics of climate finance in an emerging market context, offering insights into the interplay between international pressures and domestic dynamics. Together, these findings advance the understanding of climate finance as a critical, yet deeply contested, tool in addressing the climate crisis.

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List of frequently used abbreviations

ABC	Low Carbon Agriculture Programme
AFOLU	Agriculture, Forestry, and Other Land Use
BCB	Brazilian Central Bank
BNDES	Brazilian Development Bank
CBI	Climate Bonds Initiative
CEBDS	Brazilian Business Council for Sustainable Development
COP	Conference of Parties
DI	Discursive Institutionalism
FEBRABAN	Brazilian Federation of Banks
GCF	Green Climate Fund
GDP	Gross domestic product
GHG	Greenhouse gases
HI	Historical Institutionalism
IO	International organisation
IPCC	Intergovernmental Panel on Climate Change
MDB	Multilateral Development Banks
NDB	National Development Banks
NDC	Nationally Determined Contribution
NGO	Non-governmental organisations
PNMC	Brazil's National Policy on Climate Change
PPG7	Pilot Program to Conserve the Brazilian Rainforest
REDD+	Reducing Emissions from Deforestation and Forest Degradation
STS	Science and technology studies
UNFCCC	United Nations Framework Convention on Climate Change

1 Introduction

1.1 Background

1.1.1 Research outline

This thesis examines the governance of climate finance in Brazil, focusing on the interplay between institutional structures, discursive shifts, and stakeholder dynamics. Drawing on institutionalism - particularly historical institutionalism, discursive institutionalism, and institutional work - as well as the concept of boundary objects, it explores how climate finance evolves within a contested policy landscape shaped by competing interests, shifting narratives, and entrenched institutional frameworks. By analysing how climate finance is negotiated and governed at the national level, this research provides insights into the broader politics of climate finance and the dynamics that influence its trajectories over time.

I begin this chapter by outlining the context of this research, highlighting the critical role of climate finance in supporting mitigation and adaptation efforts and its significance for achieving both global climate goals and Brazil's commitments under the Paris Agreement. I then present my motivations for the study and situate it within the broader literature on climate finance and institutional theory, identifying key research gaps and the thesis' contributions to understanding climate finance in emerging economies.

Next, I introduce the theoretical framework, which integrates institutional theories and key concepts that allow me to investigate structural continuity, transformative potential, actor agency, and power dynamics. I then present Brazil as the focal case study, outlining the characteristics of its climate finance landscape. This includes an analysis of Brazil's role as a significant global emitter due to deforestation and agricultural practices, as well as its position as an emerging market country committed to absolute emissions reductions. I also explain why Brazil provides a valuable setting for investigating how climate finance is shaped by interactions between policies, institutional frameworks, and both domestic and international pressures.

Following this, I outline the methodological approach, detailing the qualitative data collection methods, including semi-structured interviews and document analysis, while also reflecting on

the challenges and limitations encountered during this research. Finally, I introduce the three key papers that structure the thesis.

1.1.2 Climate change and finance

Climate change is one of the most pressing global challenges of our time, with profound impacts across economic, social, and environmental dimensions (Lee et al., 2023). The Paris Agreement, reached in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC), represents a landmark multilateral commitment to limit global temperature rise to well below 2°C above pre-industrial levels, while pursuing efforts to limit the increase to 1.5°C (UNFCCC, 2015). A central pillar of this agreement is climate finance, which is explicitly recognised as essential for supporting mitigation and adaptation efforts, particularly in developing and emerging economies. Article 2 of the agreement calls for "*making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development*" (UNFCCC, 2015, p. 3). The approval of such an objective is a concrete step of the Convention towards considering climate finance as its main hope for a global agreement (Roberts & Weikmans, 2017).

In fact, climate finance has emerged as a core objective alongside mitigation and adaptation, as underscored in the more recent Glasgow Climate Pact:

> *"[The Conference of the Parties] Stresses the urgency of enhancing ambition and action in relation to mitigation, adaptation and finance in this critical decade to address the gaps in the implementation of the goals of the Paris Agreement." (UNFCCC, 2022, p. 3)*

Despite these commitments, the financial flows required to meet global climate goals remain insufficient. The estimated USD 1.3 trillion in annual climate finance investment in 2021-2022 falls far short of the amounts needed to limit warming to 1.5°C (CPI, 2023). This shortfall highlights a fundamental issue: while climate finance is often discussed as a global funding challenge, the real decisions about how climate finance is structured, mobilised, and implemented happen at the national level (Peterson & Skovgaard, 2019). Without a deeper understanding of how climate finance actually evolves within national systems, efforts to scale up climate action risk being ineffective (Bhandary, 2022, 2024).

Existing research has extensively examined the national governance of climate change, focusing on state institutions, policy networks, and regulatory frameworks that shape climate

action (Aamodt, 2018; Hochstetler, 2021; Lockwood, 2021; Lorenzoni & Benson, 2014). However, climate finance remains underexplored at the national level. Recent literature reviews indicate that much of the research on climate finance remains focused on international financial mechanisms and the role of developed countries in providing funding, often overlooking national-level dynamics, particularly in emerging markets (Wu et al., 2024).

Critical gaps persist in our understanding of how climate finance is organised, mobilised, and governed at the national level, where the most consequential decisions on funding climate mitigation and adaptation take place (Peterson & Skovgaard, 2019). Similarly, research has yet to fully explore how domestic actors - such as governments, businesses, and NGOs - engage in, navigate, and negotiate climate finance arrangements within their specific political, institutional, and market contexts.

In this thesis, climate finance is understood not simply as a financial mechanism but as a contested political system, where global objectives intersect with national contexts and realities (Pickering et al., 2017; Roberts & Weikmans, 2017; Venner et al., 2024). Rather than assuming that climate finance seamlessly flows from international commitments to national implementation (Ha et al., 2016), this research interrogates the processes through which financial flows are shaped, negotiated, and structured within domestic governance frameworks. I demonstrate that climate finance is embedded in institutional structures, shaped by power asymmetries, and influenced by competing narratives. Understanding these complexities is critical for designing more effective, inclusive, and equitable climate finance mechanisms that bridge global commitments with domestic realities.

1.1.3 Motivation for the research

My journey into climate finance began during my professional experience working within this field in Brazil. Through roles in a business association and later in an international organisation, I gained firsthand insight into the complexities and challenges countries face when mobilising climate finance to balance environmental and developmental goals. Following the UNFCCC climate change negotiations, I became particularly curious about why countries adopt such distinct approaches to financing low carbon transitions, even while sharing similar economic challenges and aspirations. This curiosity drove me to explore how these varied pathways evolve and what drives shifts in capital flows or adjustments in investment behaviours toward climate-related solutions at the domestic level.

Initially, my goal was to conduct a comparative analysis between Brazil and India, hoping to identify the unique institutional and policy factors that shape climate finance trajectories in each country. However, a combination of unforeseen circumstances and shifting personal and logistical constraints altered this plan. While I was able to conduct fieldwork in Brazil, the COVID-19 pandemic and other family commitments made it impractical to pursue similar research in India. This shift ultimately refocused my study solely on Brazil - a country I am intimately familiar with - allowing me to leverage my professional background and established networks for a more in-depth investigation.

This intellectual journey has been one of curiosity and surprises, shaped by my openness to adapting to circumstances and exploring Brazil's context. Despite my prior empirical knowledge and professional experience, I discovered just how much I had yet to learn about my own home country - its social, political, and environmental complexities constantly challenged and expanded my understanding.

When I started my field work, my plan was to investigate how Brazil's policies and institutional arrangements shaped its approach to mobilising and implementing climate finance over time. I envisioned this historical analysis as the foundation for my entire PhD, providing the basis for tracing the evolution of climate finance in Brazil and offering rich material to develop the three papers that would comprise the thesis. However, as I began conducting the first interviews, it became evident that different actors perceived the concept of climate finance differently. I noticed that the concept was not solidified or harmonised, which sparked my interest in understanding these varied interpretations. Additionally, I observed that some actors were able to work together towards the same goal, even when they had different understandings of the concept. This prompted my desire to unpack what these varied perspectives meant, why they existed, and how they influenced Brazil's climate finance practices. This unexpected insight opened new avenues of inquiry, leading me to the development of one of my papers.

Midway through my fieldwork, another significant theme emerged: the central role of BNDES in Brazil's climate finance landscape. As one of the country's most important institutions, I expected it to play a key role, primarily through providing capital and funding for climate-related initiatives. However, I was surprised to discover the breadth and depth of its involvement. A significant number of interviewees highlighted BNDES not only as a financier but also as a key agent which influenced policy frameworks, built technical capacities and connected networks. Intrigued by these findings, I delved deeper into the literature on national

development banks and their potential to drive systemic transformations. This discovery was both inspiring and transformative, prompting me to explore the impact of BNDES's actions on climate finance governance and its role in facilitating change.

This evolution in my research reflects my openness to adapting to new insights and following the emerging themes from my fieldwork. What began as an effort to compare trajectories evolved into a deeper engagement with the realities of Brazil's institutional, economic and political landscape, offering new perspectives on the challenges and opportunities of climate finance. This journey has not only shaped the focus of this thesis but also deepened my understanding of how global climate ambitions intersect with the realities of domestic institutions, policies, and priorities.

1.1.4 Brazil as a case study

Brazil serves as a compelling case study for examining the dynamics of climate finance in an emerging market context. Its global significance in the carbon cycle stems from the Amazon's role as one of the world's largest carbon sinks (Viola & Franchini, 2014). At the same time, Brazil is the world's sixth-largest greenhouse gas (GHG) emitter, with its largest emissions source being land-use change and the forestry sector, followed by energy (SEEG, 2024a). Unlike many other major economies, Brazil's emissions profile is dominated by agriculture and land-use change, which account for the majority of its greenhouse gas emissions (see Figure 1.1).

In 2023, the Agriculture, Forestry, and Other Land Use (AFOLU) sector contributed approximately 73.7% of Brazil's total GHG emissions, with land-use change and forestry alone responsible for 46.2% and agriculture for 27.5% (SEEG, 2024b). Deforestation for agricultural expansion remains a key driver of emissions, while the agriculture sector contributes through livestock management, soil fertilisation, and crop production (SEEG, 2024a). These sectors are not only central to Brazil's economy but are also deeply embedded in its social and political structures, presenting significant challenges for transitioning to low-carbon practices (Franchini et al., 2023).

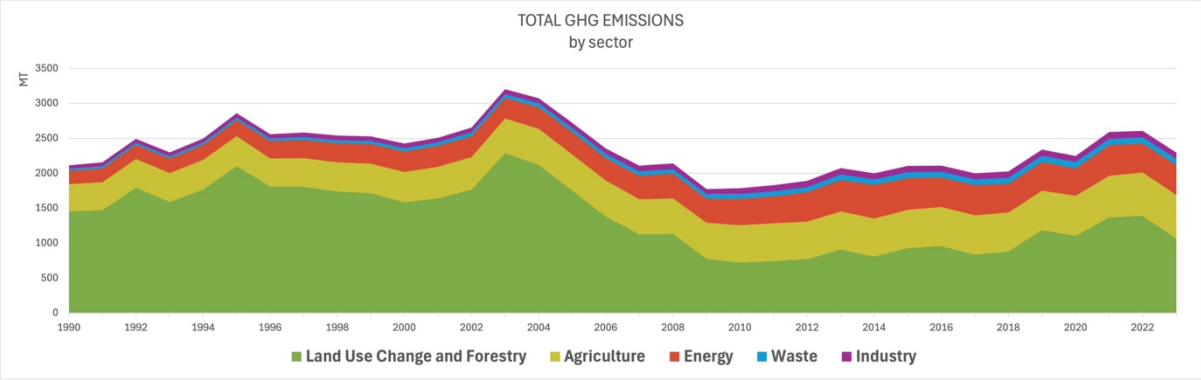

Figure 1-1 Brazilian greenhouse gas emissions (t CO2eq) by sector, 1990-2023. Source: SEEG, 2024

Agriculture is a cornerstone of Brazil's economy, significantly contributing to GDP, employment, and exports. However, agribusiness lobbies hold considerable political influence, complicating efforts to implement climate-aligned financial policies (Hochstetler, 2021). Similarly, land-use change and deforestation - particularly in the Amazon - pose a dual challenge: while they drive significant emissions, they are also tied to development objectives, such as expanding agricultural land and supporting rural livelihoods (Carauta et al., 2021). This tension underscores the ongoing struggle between Brazil's environmental commitments and its socio-economic priorities.

Beyond its emissions profile, Brazil's selection as a case study is also driven by its role in advancing climate finance initiatives. Over the past 15 years, Brazil has seen significant growth in the design and implementation of climate finance initiatives (Talanoa, 2024b). It was among the first countries globally to adopt a comprehensive climate law in 2009, establishing specific mitigation targets (da Motta, 2011). Additionally, Brazil has made notable commitments to emissions reductions under the Paris Agreement, distinguishing itself among developing and emerging economies for setting explicit climate goals (Viola & Franchini, 2018).

As an emerging market, Brazil illustrates the interplay between global climate finance objectives and national development needs. Unlike developed economies, where climate finance often emphasises decarbonising energy systems and advancing technological innovations (CPI, 2023), countries like Brazil must simultaneously address pressing development challenges - such as poverty reduction, rural livelihoods, and economic diversification – while also pursuing emissions reductions (Vendramini et al., 2021). This highlights the need for climate finance strategies tailored to national contexts, a theme that runs throughout this thesis.

1.1.5 The empirical puzzles

This thesis is guided by a set of empirical puzzles that characterise the evolution of climate finance in Brazil. These puzzles highlight dynamics that are not well explained by existing literature and that require closer examination through an institutionalist perspective.

The first puzzle concerns the sectoral focus of climate finance. Agriculture and forests (AFOLU) account for the majority of Brazil's greenhouse gas emissions, making them an obvious priority for mitigation and thus a logical target for climate finance initiatives. At the same time, AFOLU is also the most politically contested domain in the country, dominated by powerful agribusiness coalitions, embedded land-use conflicts, and entrenched development narratives that have historically resisted environmental regulation. One might therefore expect climate finance to face significant barriers in these sectors. Yet, paradoxically, AFOLU became the central locus of Brazil's climate finance architecture, with flagship instruments such as the Amazon Fund and the ABC Plan directing substantial resources towards deforestation reduction and sustainable agriculture. Explaining how climate finance gained traction in this conflictual but strategically vital arena constitutes the first puzzle.

The second empirical puzzle relates to the fragility of institutionalisation. Brazil was an early mover in establishing climate finance institutions and policies, including the National Climate Change Policy, the Amazon Fund, and climate-aligned credit lines. Yet these advances proved highly vulnerable to political turnover: federal institutions were weakened after 2016, and the Amazon Fund was suspended in 2019. This raises the question of why pioneering instruments could not be more robustly embedded, and what this fragility reveals about the interplay of coalitions, ideas, and institutional legacies.

The third puzzle is conceptual and interpretive. During fieldwork it became evident that actors across government, finance, and civil society did not share a stable definition of "climate finance." Instead, the concept was interpreted in plural and sometimes conflicting ways. Surprisingly, cooperation was nonetheless possible: actors with divergent understandings were able to work together towards common objectives. This raises the question of how contested meanings can still facilitate coordination, and how the interpretive flexibility of climate finance both enables collaboration and conceals power asymmetries.

The fourth puzzle relates to the role of the Brazilian Development Bank (BNDES). As the dominant actor in Brazil's development finance system, BNDES has designed innovative

instruments, mobilised significant resources, and shaped policy frameworks. Yet its leadership has not translated into a systemic transformation of Brazil's financial field. Climate-aligned practices remain concentrated in BNDES-led initiatives, with only partial diffusion into private banks and capital markets. Explaining why such a powerful institution could innovate without catalysing wider change forms the fourth puzzle at the heart of this research.

Taken together, these four puzzles motivate the analysis developed in this thesis. They illustrate climate finance in Brazil as a paradoxical case: concentrated in the sectors where resistance was expected to be strongest, subject to both pioneering advances and institutional fragility, sustained by a concept that is itself fragmented and contested, and driven by one of the most powerful financial institutions without yet producing systemic transformation. The chapters that follow investigate these puzzles by examining how institutions, ideas, and interests interact over time to shape the politics of climate finance.

1.1.6 The Brazilian context for the evolution of climate finance

Brazil's trajectory of climate finance needs to be understood against the backdrop of its broader political economy, shaped by developmental state traditions, dependence on commodity cycles, and a fragmented and fluid party system. The country's legacies of industrialisation and public development banking have embedded a strong role for state institutions in mediating long-term investment and shaping sectoral priorities (Musacchio et al., 2014; Schneider, 2015). At the same time, Brazil's insertion into global commodity markets has made its fiscal space and growth strategies highly sensitive to international demand for agricultural and mineral exports (Bresser-Pereira et al., 2009). The combination of a developmental state tradition and commodity dependence has created both opportunities and vulnerabilities for climate finance: on one hand, public banks and planning agencies provide instruments and capacities to scale climate-aligned credit, but on the other, fiscal cycles and sectoral coalitions often constrain the durability and coherence of these efforts.

The 1990s marked a period of economic stabilisation and liberalisation, when the Real Plan consolidated monetary stability and market-oriented reforms opened the economy. Climate change entered the national agenda during this period but remained a secondary concern relative to macroeconomic stabilisation (Viola & Franchini, 2014). With the commodity boom of the 2000s, Brazil experienced both fiscal expansion and stronger state capacity (Martins, 2017). It was in this period that the federal government launched the National Climate Change

Policy (2009) and associated financial mechanisms such as the Amazon Fund (2008) and the Low-Carbon Agriculture Plan (ABC Plan, 2010). At the same time, strengthened environmental enforcement contributed to a substantial decline in deforestation after 2004 (Nunes et al., 2024).

The subsequent economic downturn and political crisis of 2014-2016 reshaped priorities, bringing fiscal consolidation and macroeconomic emergency measures to the forefront (Holland, 2019). Under these conditions, climate-aligned credit lines faced contraction, and federal initiatives lost momentum. While the Paris Agreement generated renewed international expectations, domestic politics shifted attention away from long-term environmental commitments. From 2019 to 2022, the weakening of federal environmental institutions and the suspension of Amazon Fund disbursements illustrated the vulnerability of climate finance to political turnover (Flossmann-Kraus, 2020). Nevertheless, the period also saw the emergence of more market-oriented experiments, such as sustainability-linked corporate bonds and Renovabio's decarbonisation credit system (CBIOs), often advanced by regulators, subnational governments, and private actors (Talanoa, 2024a). Since then, a new cycle of institutional rebuilding has been underway, characterised by the reactivation of the Amazon Fund, renewed international partnerships, and proposals for a national carbon market, reaffirming climate change as a transversal priority in development policy.

The evolution of climate finance in Brazil is closely intertwined with the shifting power of sectoral interests. Agribusiness has emerged as a central actor, both as the primary driver of deforestation and emissions and as a sector with significant potential for mitigation through low-carbon practices. The "*ruralistas*" bloc in Congress has consistently defended agricultural expansion, while also engaging with initiatives such as the ABC Plan that tie access to credit with adoption of sustainable technologies (Milmanda, 2023). The energy sector illustrates similar tensions: while Brazil's electricity matrix is relatively low-carbon due to hydropower and expanding renewables, the discovery of pre-salt oil reserves has reinforced hydrocarbon dependence, with royalties and fiscal revenues complicating decarbonisation commitments (Hochstetler, 2021). The financial sector has become more active through regulatory initiatives on climate risk and disclosure (BCB, 2021), yet its climate contributions remain heavily conditioned by the leadership of public banks and the availability of de-risking mechanisms. These sectoral configurations overlap with enduring political cleavages. One of the most salient divides opposes agribusiness and land-use expansion coalitions to environmentalist and

indigenous rights movements (Carauta et al., 2021). Subnational governments add a further layer of complexity: states and municipalities are responsible for land-use enforcement, urban transport, and sanitation infrastructure, but their fiscal and technical capacities vary widely, influencing how climate finance is absorbed and deployed.

International linkages amplify these dynamics. Norway and Germany's support for the Amazon Fund demonstrated the potential of multi-stakeholder governance arrangements to entrench climate finance, but also their vulnerability to political disputes at the federal level (Flossmann-Kraus, 2020). At the same time, the reputational risks of deforestation have increasingly been perceived an additional cost of capital for Brazilian exporters, prompting investments in traceability and environmental compliance across supply chains (Rajão et al., 2020). These interactions illustrate how climate finance in Brazil is simultaneously a domestic political project and a site of negotiation with international markets and donors.

Understanding these political and economic dynamics is essential for making sense of the subsequent chapters of this thesis. The periodisation of climate finance trajectories in Chapter 2 reflects the macroeconomic cycles and coalition shifts described here, showing how institutional legacies and ideational change combine to shape continuity and disruption. Chapter 3 analyses how the understanding of climate finances as plural and contested resonates with the diverse sectoral narratives and competing coalitions that exist. Finally, Chapter 4 focuses on BNDES and highlights the centrality of the national development bank in Brazil's political economy, not merely as financial intermediary but as an institutional actor engaged in enabling, educating, and legitimising climate finance in a contested and volatile landscape.

1.1.7 Situating the PhD in the academic literature

Although my original plan to conduct a comparative analysis shifted, the core focus on climate finance governance remained central to my research. Global climate governance operates through a dispersed network of international and national institutions, rather than being centralised within a single multilateral framework (Keohane & Victor, 2011). Reflecting this broader pattern, the governance of climate finance is similarly decentralised and fragmented (Gomez-Echeverri, 2018). However, this thesis contends that the institutional dynamics of climate finance are not merely a reflection of broader climate governance system (Pickering et al., 2017). Instead, climate finance exhibits its own distinct characteristics and forms of complexity, shaped by varied priorities of stakeholders across scales (Peterson & Skovgaard,

2019; Pickering et al., 2017; Roberts & Weikmans, 2017; Venner et al., 2024). This interaction creates a distinct governance system that merits focused analysis to understand its key features and its evolution.

By focusing on Brazil, my thesis discusses how institutional dynamics, stakeholder contestation, and political priorities shape climate finance in an emerging market context. It aims to advance the understanding of how climate finance operates as a "messy political space" (Venner et al., 2024, p. 48), shaped by intersecting global, national, and local forces. Additionally, this thesis highlights the need for tailored governance solutions that align with the specific institutional and economic realities of emerging economies.

A key challenge in this research was identifying the most suitable theoretical framework to examine my research object. Translating practical insights from my professional and multidisciplinary academic background into a coherent theoretical approach was both complex and time-consuming. However, I quickly recognised the importance of establishing a solid theoretical foundation, as emphasised by Grant and Osanloo (2014). Their analogy of a theoretical framework as a "blueprint for a house" helped structure my approach, ensuring that my theoretical choices aligned closely with the research purpose and questions (Grant & Osanloo, 2014).

Grant and Osanloo (2014) argue that a well-defined theoretical framework serves as the foundation for all elements of a study, shaping how the research problem is defined, guiding the research design, and informing the analytical approach. This perspective was particularly relevant for my study, where the overlapping global and domestic dimensions of climate finance governance - along with diverse and often conflicting stakeholder perspectives - demanded a multifaceted analytical lens.

As my research evolved, the integration of theory became an iterative process, requiring continuous refinement of how theoretical concepts informed my data analysis and interpretation (King, 1994; Maxwell, 1996; Patton, 1990). This iterative engagement not only helped ground my study within existing literature but also allowed me to adapt to new insights that emerged during fieldwork. Initially, I explored theoretical perspectives from political economy, political science, sustainability transitions, and institutional theory. These explorations were instrumental in shaping the analytical foundation of my PhD, helping identify key dynamics and gaps in the literature on climate finance. However, over time,

institutional theory emerged as the most appropriate framework, as it allowed me to examine both the structural constraints and the dynamic processes of institutional change. Institutional theory provided tools to analyse how rules, norms, and governance structures shape climate finance, while also accounting for the role of ideas, discourse, and agency in shaping its evolution (Dimaggio, 1998; Greif, 1998).

Climate finance operates at the intersection of institutional stability and transformative ambitions, making institutional theory particularly well-suited to capturing this duality. Additionally, institutional theories offer the flexibility to integrate complementary perspectives, such as political economy and governance studies (Hall & Taylor, 1996), which are essential for analysing the multifaceted nature of climate finance. By adopting this approach, this thesis contributes to a more comprehensive understanding of how institutional structures, discursive shifts, and actor strategies interact to shape climate finance governance in an emerging market context.

1.2 Theoretical approach

This PhD draws on institutional theories and related concepts to examine the emergence and evolution of climate finance in Brazil. The research integrates historical institutionalism (HI), discursive institutionalism (DI), institutional work, and the concept of boundary objects to provide a comprehensive analysis of climate finance governance. Each of these theoretical perspectives contributes to understanding how institutional legacies, ideas, agency, and innovation intersect in shaping climate finance within an emerging market context. This framework acknowledges the complex and contested nature of climate finance, which cannot be reduced to a purely technical or financial mechanism. Rather, climate finance is shaped by ongoing interactions between institutions, actors, and socio-economic conditions, requiring an approach that accounts for both structural constraints and dynamic change. Each theoretical component of this framework corresponds to specific dimensions of the research questions, particularly as examined across the three main papers of this thesis.

While the focus of this thesis is on the interplay between institutions and ideas, it also explicitly recognises the role of interests in shaping how these dynamics unfold. Institutional arrangements structure incentives and constraints, influencing which actors gain or lose from particular policy configurations (Pierson, 2004). At the same time, discursive processes shape how those actors understand and justify their preferences, linking material considerations to

evolving ideas about development, sustainability, and legitimacy. Interests are therefore not treated as fixed or purely material but as contextually produced and discursively mediated within specific institutional settings. In the Brazilian case, the priorities of agribusiness, financial institutions, and environmental coalitions have developed through historical policy legacies, regulatory frameworks, and shifting narratives about economic modernisation and environmental responsibility (Flossmann-Kraus, 2020; Hochstetler, 2021). In this sense, interests are integrated into the broader institutional and ideational framework adopted in this thesis: institutions provide the structures within which interests are formed and contested, while ideas supply the meanings that legitimise and redefine them over time. This approach aligns with the broader transformation in global climate governance identified by Falkner (2016), who describes the Paris Agreement as establishing a "new logic" of international climate politics centred on the primacy of domestic institutions and political interests. Rather than a purely top-down regime, the post-Paris landscape depends on how national systems interpret and operationalise global norms (Falkner, 2016), a dynamic that makes the national level the decisive arena for understanding climate finance trajectories. This provides the conceptual foundation for the analysis developed in Chapters 2-4.

1.2.1 What is institutionalism and what does it mean to adopt an institutionalist perspective?

Institutional theory provides the much sought "blueprint for my house" (Grant & Osanloo, 2014). It explores how formal structures, informal norms, and relationships among actors influence social, economic, and political systems, shaping governance processes and outcomes across various domains (March & Olsen, 1989). It emphasises the enduring yet evolving nature of institutions, which can both enable and constrain actions, and the role of agency in shaping institutional change (Hall & Taylor, 1996).

Scholarly interest in institutional theories has re-emerged in recent decades as a critique of overly agent-centred approaches, such as behaviourism (Bell, 2011). New institutional theories gained relevance because they provide concepts and analytical tools that are helpful for scholars to have better defined accounts of how institutions work in practice, and ways in which institutions affect, for example, financial development (Bevir, 2010). Broadly, this umbrella of theories – rational choice institutionalism, sociological institutionalism, historical institutionalism, and more recently, discursive institutionalism -focuses on the effects of formal

and informal rules that constrain or enable the behaviour of individuals and groups (Dimaggio, 1998).

By focusing on the interaction between stability and change, institutional theory allows for an examination of how systems evolve in response to global and domestic pressures (Andrews-Speed, 2016; Huang, 2022; Lockwood et al., 2017; James Mahoney & Kathleen Thelen, 2009). Adopting an institutionalist perspective means focusing on the interplay between stability and change within institutional frameworks. It involves examining how institutions - understood here as sets of rules, norms, and shared understandings (Scott, 2001) - shape behaviour and decision-making. At the same time, it considers how actors, through practices such as institutional work and discursive strategies, navigate these frameworks to respond to emerging challenges. In this thesis, the institutionalist perspective provides a lens to investigate how climate finance is mobilised, contested, and institutionalised in Brazil, highlighting the ways institutions adapt to global pressures and local realities.

In particular, historical institutionalism offers a powerful lens for analysing the evolution of institutions over time, emphasising the role of path dependence, critical junctures, and institutional legacies in shaping current governance and policy landscapes (Pierson, 2004; Thelen, 1999). This approach is particularly relevant for examining the trajectory of climate finance in Brazil, where long-standing institutional frameworks and regulatory structures play a crucial role in determining both the mobilisation of financial flows and their allocation. Historical institutionalism enables this thesis to analyse how entrenched legacies shape how climate finance emerges and develops in Brazil, as well as how external pressures and internal policy shifts can influence institutional paths.

Nevertheless, historical institutionalism does not only highlight the weight of past choices, but it also provides a toolkit for analysing the mechanisms through which institutions persist and change. A central concept is path dependence, the process by which early institutional designs generate increasing returns, sunk costs, and adaptive expectations that reinforce their own continuation (Pierson, 2004). In Brazil, the centrality of public development banking and directed credit since the mid-twentieth century illustrates path dependence: BNDES and sectoral credit lines became deeply embedded in the financial system, structuring both the expectations of private actors and the repertoire of available state instruments. This lock-in helps explain why climate finance has often been channelled through these long-standing vehicles rather than entirely new institutional forms.

Yet, HI scholars have also emphasised that institutional change is not confined to rare and disruptive "critical junctures". Instead, institutions frequently evolve through gradual processes that cumulatively reconfigure their purpose (James Mahoney & Kathleen Thelen, 2009; Van Der Heijden, 2010). A few analytical mechanisms have been particularly influential in the literature, such as layering and displacement. Layering occurs when new policies or practices are grafted onto existing arrangements, creating hybrid structures without dismantling the old, and displacement captures moments when established arrangements are undermined or replaced by alternatives. The categories proposed by historical institutionalists provide a vocabulary for analysing how institutions combine continuity and change over time (Lustick, 2011; J. Mahoney & K. Thelen, 2009; James Mahoney & Kathleen Thelen, 2009).

Bringing these insights together, HI highlights the importance of understanding Brazilian climate finance not as a linear progression of reforms but as an evolving field shaped by historical dependencies and gradual reconfigurations. Mechanisms of institutional change such as layering and displacement capture how new climate finance initiatives were embedded within entrenched institutional frameworks, how fiscal and political crises altered the operation of existing arrangements, and how political turnover sometimes replaced one set of institutional priorities with another. In doing so, HI provides a conceptual language to analyse the interplay of continuity and transformation, enabling this thesis to trace how Brazil's climate finance trajectory has been conditioned both by its developmental state legacies and by contested, incremental processes of institutional change. This approach contributes to the literature by providing insights into how historical dependencies in emerging markets shape the trajectory of climate finance, offering lessons for other countries with similar institutional contexts.

It is important to note that historical institutionalism also highlights how institutional legacies are tied to the preservation or disruption of sectoral interests. Path-dependent trajectories do not only reproduce rules and norms; they also sustain the expectations and advantages of particular groups, such as agribusiness, by embedding their access to credit, subsidies, and regulatory support within enduring institutional arrangements. Mechanisms of gradual change, such as layering and conversion, often reflect efforts by actors to reinterpret or reconfigure institutions in ways that align new policy goals with existing interests. For example, the introduction of climate-aligned credit lines into Brazil's established rural credit system can be understood as a layering strategy that sought to integrate low-carbon objectives into frameworks long shaped by agricultural priorities. This perspective emphasises that

institutional continuity and change are inseparable from how interests - shaped by historical legacies and evolving policy discourses - interact within existing institutional contexts.

However, while HI provided a strong foundation for understanding the structural and historical context of climate finance in Brazil, I quickly realised it was not enough to fully make sense of the dynamics I was observing. As I delved deeper into my research, it became clear that ideas - how they are constructed, communicated, and contested - played an equally crucial role in shaping the system. This realisation led me to incorporate insights from discursive institutionalism, which allowed me to explore the power of ideas in driving institutional change (Schmidt, 2008). For example, the shift from framing low-carbon practices from being a burden to being an opportunity for economic growth was pivotal in shaping stakeholder engagement and policy decisions over climate finance. Without DI, I would have struggled to explain how these ideational shifts influenced institutional practices and even the perceptions of key actors. DI underscores the importance of ideational factors in historical trajectories, and is particularly valuable for analysing the how power of ideas and narratives can drive institutional change, even in the face of established structures (Carstensen & Schmidt, 2016).

By tracing discursive dynamics, DI enables this thesis to analyse how actors use ideas to legitimise policies, build coalitions, and reshape institutions. It also underscores how discourse is a site of contestation, where competing narratives about sovereignty, development, and environmental responsibility struggle for dominance. In this sense, DI provides not only a complement to HI's emphasis on institutional legacies but also a framework to understand how ideational shifts can open possibilities for institutional innovation or for institutional dismantling.

By engaging with institutional theory, this PhD advances interconnected contributions across climate finance and institutional studies. It enriches institutional theory by applying its concepts to a new and rapidly evolving field, demonstrating how institutional structures and agency interact in the emergence and development of climate finance. At the same time, it contributes to climate finance literature by using institutional theories to uncover the underlying processes that shape climate finance in Brazil, offering insights into how institutions mediate the interplay between global commitments and domestic priorities.

1.2.2 Boundary objects

Boundary objects offer a compelling theoretical lens for analysing how diverse stakeholders with varying interests and priorities can collaborate within complex governance landscapes (Leigh Star, 2010). Originally conceptualised by Star and Griesemer (1989) in the context of scientific collaborations, boundary objects are defined as entities that are adaptable enough to accommodate different interpretations across groups while maintaining a stable core identity that serves as a shared reference point. This duality of adaptability and robustness makes them particularly useful for understanding the governance of contested and multifaceted concepts (Abson et al., 2014; Brand & Jax, 2007; Garmendia et al., 2016; Schutter et al., 2021). Boundary objects function as interfaces for knowledge integration, facilitating the negotiation of diverse perspectives without requiring deep consensus (Carlile, 2002; Nicolini et al., 2012). Their interpretive flexibility allows different actors to engage with the same concept in ways that align with their specific goals and agendas (Caccamo et al., 2022; Fujimura, 1992).

Key characteristics of boundary objects, as outlined by Star and Griesemer (1989), include interpretive flexibility, material and organizational structure, adaptability to local contexts, and the creation of shared spaces. These characteristics allow boundary objects to mediate between competing priorities and facilitate collective action. However, the political dimensions of boundary objects - particularly their role in obscuring power asymmetries and depoliticising contentious issues - deserve closer scrutiny (Schutter et al., 2021). For example, while the flexibility of boundary objects such as climate finance fosters collaboration, it can also perpetuate existing hierarchies by privileging dominant actors' interpretations and sidelining justice-oriented perspectives (Bracking, 2015b; Bridge et al., 2020).

1.2.3 Institutional work and field-level transformation

Finally, I also engage with institutional work and field-level transformation to explore the active role of actors in facilitating institutional change within Brazil's climate finance system. These concepts were chosen to complement the broader institutional theories employed in this thesis, adding granularity to the study of how actors engage with and reshape entrenched institutional structures (Beunen & Patterson, 2019).

Institutional work, as defined by Lawrence and Suddaby (2006), focuses on the deliberate efforts of actors to create, maintain, or disrupt institutions. This perspective is particularly valuable for highlighting the micro-level agency of organisations and individuals in navigating

institutional constraints and enabling change. Unlike approaches that view institutions as static structures, institutional work highlights the agency of individuals and organisations in navigating institutional constraints and driving change (Lawrence et al., 2009; McCarthy & Mena, 2020; Slager et al., 2012). Within this thesis, institutional work is employed to examine how the Brazilian Development Bank (BNDES) acts as a critical agent of transformation, engaging in a variety of roles that include enabling, embedding, educating, and legitimising climate finance practices.

Field-level transformation, as conceptualised by Hoffman (1999), situates these micro-level actions within the broader dynamics of institutional fields. This concept captures the cumulative effects of diverse actions and external pressures in driving systemic change (Hoffman, 1999). It emphasises how shifts in institutional logics, power relations, and stakeholder interactions collectively drive systemic change (Hoffman, 2006).

By integrating institutional work with field-level transformation, this thesis offers a fresh perspective on the interplay between agency and structure in shaping climate finance systems. It highlights the importance of sustained, coordinated efforts to overcome entrenched barriers and foster conditions for long-term, systemic change (Lawrence et al., 2009). This approach also contributes to the literature by demonstrating the relational and multi-scalar nature of institutional change in the context of emerging markets like Brazil.

1.3 Methodology

1.3.1 Research aim, questions and objectives

Research aim

The overarching aim of this PhD is to investigate how national dynamics influence the mobilisation, governance, and implementation of climate finance in Brazil. By examining the evolution of the country's climate finance trajectory, this research seeks to fill a critical gap in the literature on the domestic governance of climate finance in emerging markets. While much of the existing scholarship focuses on international climate finance mechanisms and the role of developed economies in financing global climate action, there has been less attention on how climate finance is structured, mobilised, and operationalised within national financial systems.

Primary research question

To achieve this aim, the research addresses the following overarching question: *How do political, institutional and discursive dynamics shape the trajectory of climate finance in Brazil?*

Research objectives

This PhD is guided by the following objectives, which are designed to address the research question and contribute to the literature:

- To examine how Brazil's historical and institutional legacies have influenced the development and evolution of climate finance.
- To investigate how ideas surrounding climate finance are constructed, contested, and employed by key actors, and how these discursive processes shape policy priorities and institutional practices.
- To analyse the diverse ways in which climate finance is interpreted, mobilised, and applied by various stakeholders in Brazil.
- To assess the role of institutional actors, particularly the Brazilian Development Bank (BNDES), in advancing climate finance and facilitating systemic change within Brazil's financial and governance structures.
- To critically evaluate the application of theoretical approaches - such as historical institutionalism, discursive institutionalism, institutional work, and boundary objects - in explaining the complexities and contested nature of climate finance in Brazil.

1.3.2 Case study

This research employs a qualitative case study approach, which is well-suited to contextualise in-depth understandings of political processes (Simmons & Smith, 2017). It is conducted with what Simmons and Smith (2017) describe as "ethnographic sensibility", which means being deeply attuned to how informants make sense of their worlds. This approach was particularly important in capturing the often-unspoken assumptions, narratives, and tensions that underpin climate finance in Brazil.

Following Lund's (2014) guiding question "of what is this a case?", this research frames Brazil's climate finance system as a lens through which to interrogate broader questions of institutional change and the contested nature of climate finance. This framing allowed me to

move beyond descriptive accounts and engage critically with the tensions, contradictions, and opportunities within my case study (Lund, 2014). Throughout this process, I remained reflexive about the partiality of qualitative evidence and the influence of my own positionality as a researcher (Bennett & Elman, 2006; Burawoy, 1998). I recognised that my background inevitably shaped my interpretation of the data and the story I tell here. As Finlay (2002) argues, this reflexivity is an essential component of research, ensuring that the findings are situated within their context, transparent in their construction, and critically engaged with the perspectives and experiences of participants (Finlay, 2002).

Finally, by navigating between specific observations and abstract generalisations (Lund, 2014), I sought to construct a narrative that is not only grounded in an empirical reality but also offers insights that resonate with other contexts and cases. This iterative movement between theory and data underscores the richness of the case study method and its potential to generate meaningful contributions to both scholarship and practice (Ridder et al., 2014).

1.3.3 Building the field

The process of building and entering the field for this research was an iterative process that required planning and adaptation. The first step involved extensive desk-based research to map out the field. This phase was essential in identifying the key actors that would form the core of the interviewees (Bassot, 2022).

A significant advantage in this phase was my professional background in climate finance in Brazil, where I worked for approximately seven years prior to commencing my PhD. This experience allowed me to enter the research with a well-established network of contacts across the key institutions involved in climate finance. However, being aware of the potential influence that my background could have on my research, in particular the risk of bias due to preconceived notions (Bennett & Elman, 2006), I was committed to engage in continuous reflexive practice and to expand my sample beyond familiar contacts. I made a conscious effort to challenge my own assumptions and to remain open to new insights that emerged during the research. Additionally, I sought external feedback from academic peers to ensure that my research remained as unbiased as possible. For example, I formalised my engagement with my previous university in Brazil by establishing a role as a collaborating researcher, which was instrumental in engaging with both academic and practitioner communities in Brazil throughout the PhD.

The desk-based research included a thorough review of existing literature, policy documents, government reports, and media coverage on climate finance in Brazil. This review provided a foundational understanding of the historical and contemporary context, the key players involved, and the major policy initiatives shaping the landscape. Additionally, this phase helped in identifying gaps in the existing literature, which guided the reformulation of the research questions and the identification of relevant stakeholders throughout the research.

1.3.4 Stakeholder mapping and preliminary contacts

I first developed a stakeholder map that outlined the various actors involved in Brazil's climate finance sector. This map included government bodies, financial institutions, private sector representatives, non-governmental organisations, and international agencies. The mapping process was informed by my previous empirical knowledge, academic and empirical literature, as well as initial informal conversations with experts in the field (Flick, 2014). The stakeholder map served as a dynamic tool throughout the research, continually updated as new actors were identified and as relationships between stakeholders became clearer (Bassot, 2022). This map not only guided the sampling strategy for interviews but also helped in understanding the complex network of relationships within the field.

1.3.5 Navigating ethical and access considerations

Prior to initiating formal interviews, I contacted potential participants to inform them about the aims and scope of the research. This was essential in securing informed consent and in establishing a relationship of trust with participants. Moreover, it was important to assure participants that their identities would be protected. This was particularly important in interviews with government officials and financial sector representatives, where the disclosure of certain information could have professional or political implications. Informed consent was obtained from all participants, with the option to withdraw from the study at any time. An example of the consent form is attached in Appendix A.

In some cases, access to certain organisations or individuals was facilitated through professional networks and snowball sampling, where initial contacts introduced me to other key players. However, access was not always straightforward; it often required multiple attempts, and sometimes the adaptation of research strategies to accommodate institutional protocols or cultural norms. For example, when attempting to secure interviews with high-ranking officials in government ministries, I encountered bureaucratic delays and demanding

approval processes that necessitated revising my approach. Instead of direct requests, I first engaged with lower-level staff to build rapport and gain their support, which eventually facilitated introductions to senior officials.

Most of my fieldwork was conducted in person, where I engaged directly with stakeholders in Brasília, São Paulo, and Rio de Janeiro. These in-person interactions were invaluable for building rapport, capturing non-verbal cues, and understanding the contextual nuances of the discussions. However, the onset of the COVID-19 pandemic in early 2020 presented significant challenges that required flexibility and adaptation in my data collection methods. Due to the restrictions, I adapted by conducting a portion of the interviews via online platforms such as Zoom and Skype. This allowed for the continuation of data collection despite the challenges posed by the pandemic. However, this shift required adjustments in how interviews were conducted, as building rapport and capturing non-verbal communication cues were more challenging in a virtual environment.

Although this change might often lead to reduced focus from interviewees - as noted by (Holbrook et al., 2003), the overall experience I had was quite different. Interviewees generally had more available time and were more inclined to discuss their personal lives and experiences related to the pandemic at the outset of interviews. As a result, a more informal and conversational atmosphere often emerged during the interviews.

1.3.6 Positionality

My professional experience in climate finance, particularly in Brazil, has been central to my engagement with this research topic. As a Brazilian researcher, I had the advantage of cultural familiarity and professional networks, which facilitated access to key stakeholders and enabled deeper engagement with the socio-political nuances of Brazil's climate finance landscape. My fluency in Portuguese allowed me to conduct interviews and analyse policy documents in their original language, minimising potential barriers in communication and interpretation.

While this experience gave me a valuable understanding of the operational realities and institutional complexities of climate finance, they also required me to remain vigilant against potential biases coming from prior knowledge (King, 1994). My previous professional affiliations sometimes positioned me as an insider, particularly among private sector stakeholders, which shaped how participants interacted with me and the type of information

they were willing to share. While this insider status often helped build trust, it also required reflexivity to ensure that my analysis was not overly influenced by my own experiences or prior assumptions. Balancing my dual identity as both a practitioner and a researcher demanded a conscious effort to maintain analytical distance while leveraging my contextual knowledge to enrich the research. Regular discussions with my supervisors and colleagues provided valuable opportunities to reflect on my positionality and strengthen the analytical rigor of my research.

1.3.7 Data Collection

1.3.7.1 Interviews

The data collection for this research was anchored by a purposive sampling strategy, designed to capture the diverse array of perspectives within Brazil's climate finance. This involved selecting interview participants who were highly relevant to the research topic and capable of offering valuable insights and in-depth information (Knott et al., 2022). While the initial stakeholder map provided a solid foundation, the dynamic and interconnected nature of the field required further expansion through snowball sampling. During the interviews, participants were asked to recommend additional individuals or organisations that could offer valuable insights. This method was particularly effective in identifying less visible or emerging actors within the field, whose perspectives might otherwise have been overlooked (Parker et al., 2019).

A total of 62 semi-structured interviews were conducted, each lasting between 45 minutes and two hours, depending on the depth of the discussion and the availability of the participant. Despite the semi-structured nature of the interviews, they were designed to be flexible, allowing for the exploration of unexpected themes as they arose. The preliminary topic guide included core questions related to the emergence and evolution of the finance-climate nexus in Brazil, key phases and components of the climate finance system, successful policies and initiatives, interactions with international climate finance developments, and participants' interpretations and operationalisation of climate finance in their work (Appendix B). However, the guide was used more as a high-level framework than a script, enabling me to tailor the conversation to each participant's expertise and interests. The questions were not necessarily asked in the same sequence, and the exact wording of questions typically vary from one interview to another, depending on the position and the category of the interviewee

(government officials, academics, experts, industry or NGO/IO representatives). Some questions were always the same, but I tried to be as specific to the interviewee as possible in the follow-up questions. This is because different interviewees sit in different positions both within the governance structure and they carried knowledge on different aspects and timing of the research object.

Also, additional questions were raised following the critical incident technique (Keaveney, 1995). This approach refers to the importance of referring to real-life incidents and experiences of interviewees when asking questions rather than just asking them abstract and general questions, which allowed them to describe in detail experiences that are key to the research questions. In many cases, the interviews evolved into in-depth discussions where participants were encouraged to reflect on their experiences and articulate their interpretations of key events. This approach was particularly effective in eliciting open responses and uncovering nuanced insights that might not have emerged in a more structured interview format.

The interviews were conducted in Brasília, São Paulo, and Rio de Janeiro, where most of the central actors in climate finance are based. The sample included representatives from diverse sectors (Table 1.1). The government sector was well represented, with interviews conducted with officials from financial regulatory agencies, federal ministries, and legislative bodies. The private sector sample included representatives from industry associations, banking associations, state-owned and private banks, and asset managers. NGOs were also a significant part of the sample, encompassing research organisations, consultancies, and civil society groups. Additionally, international actors, including donors and international organisations, were interviewed to provide a global perspective on Brazil's climate finance landscape.

The composition of the sample was shaped more by the availability and accessibility of stakeholders for interviews than by a strictly systematic selection based on predefined relevance criteria. While snowball sampling proved effective in expanding participant access, it also introduced an uneven distribution across stakeholder groups. As a result, government representatives and NGOs were more prominently represented, not due to an intentional emphasis on their perspectives but rather because they were easier to reach compared to other actors.

Table 1-1 Summary of interview groups and participating organisations

Interview Group	Organisations	Number of Interviews
Government and Regulators	Financial regulatory agencies, Federal legislative bodies, Government ministries, State-owned banks	22
Private Sector and Financial Sector	Industry associations, Banking associations, Private banks, Asset managers	13
Non-Governmental Organisations	Consultancies, Universities, Research organisations, Sustainable finance dialogues, National scientific body, Civil society organisations	19
Donors and International Organisations	North American private foundation, International financial institution, United Nations, Embassies and High commissions, International investor-focused organisations	8
Total		**62**

Data recording and transcription

With the consent of the participants, interviews were audio-recorded to ensure accuracy and facilitate detailed analysis. The recordings were transcribed, and the transcripts were reviewed for accuracy before being imported into Nvivo 12 for coding. Where participants preferred not to be recorded (which happened in two instances), detailed notes were taken during the interview and immediately transcribed afterward to capture the essence of the conversation. Transcribing the interview data myself has proved to be an invaluable step in the research process, allowing me to deeply re-engage with the content of each conversation. This approach not only helped me recall key themes and insights but also facilitated a closer connection to the nuances of participants' perspectives, which enriched the subsequent analysis.

The interviews were conducted in the native language (Portuguese). The full transcriptions remained in Portuguese, and the interviewees' quotes that are used in this document were freely translated into English by the author (a native Portuguese speaker). The coding was done in English to facilitate the presentation of the results.

1.3.7.2 Documents

In addition to interviews, a compilation and analysis of documentary evidence were undertaken to enhance the research's depth and validity, as well as to triangulate data obtained through interviews. The documents analysed included government and NGO reports, consultancy reports, newspaper articles, press releases, and published academic research. These sources

were also important to contextualise key findings, validate claims, and identify broader trends in climate finance discourse and policy implementation in Brazil.

Documents were identified through searches across multiple databases and platforms, including the London School of Economics and Political Science (LSE) online library, Google Scholar, Google, the Brazilian Digital Library of Theses and Dissertations (*Biblioteca Digital de Teses e Dissertações – BDTD*), and the CAPES Theses and Dissertations Bank (*Banco de Teses e Dissertações da CAPES*).

The selection process emphasised materials explicitly addressing key themes, such as definitions of climate finance, stakeholder perspectives, and Brazil-specific policy debates. Examples of search terms included: "*definitions climate finance in Brazil"*, *"Brazil climate finance"*; *"stakeholders Brazil climate finance"; "Brazilian climate finance debates"; "Government climate finance Brazil".* To ensure comprehensive coverage, search terms were applied in both English and Portuguese. The search strategy was iterative, allowing for the refinement of search terms and selection criteria as new insights emerged during the analysis.

1.3.8 Data Analysis

1.3.8.1 Coding and thematic analysis

The data analysis process was highly iterative, evolving alongside the data collection to allow for continuous refinement and deepening of insights. This reflexive approach ensured that the analysis remained closely aligned with the realities observed in the field and the evolving understanding of the research context. Srivastava and Hopwood's (2009) emphasis on reflexive iteration guided this process, ensuring that the analysis was not static but adaptive to the complexities of the data.

The analysis began with the transcription of all interviews and relevant documents, which were then imported into Nvivo 12 for coding. A combination of deductive and inductive coding approaches was employed. The initial coding framework was guided by key theoretical constructs such as institutions, actors, path dependence, and institutional change. These codes were informed by the theoretical underpinnings of the study and were designed to capture the overarching structures and dynamics at play within the climate finance system in Brazil.

However, qualitative analysis requires a balance between theory-driven frameworks and emergent data patterns (Srivastava & Hopwood, 2009). To address this, inductive coding allowed for the emergence of themes directly from the data. For example, the unexpected emphasis on BNDES, or the economic benefits of low-carbon transitions and the resistance encountered in specific sectors emerged as significant themes. These themes reflect the iterative refinement of the coding framework, which evolved to encapsulate the nuances of participant perspectives and the interactions among diverse stakeholders.

The combination of these two approaches facilitated a robust and flexible analysis, ensuring that the study remained open to unexpected findings while grounded in a solid theoretical framework.

1.3.8.2 Iterative coding process

The coding process followed a reflexive and iterative approach, which involved continuously asking key questions: (1) What is the data telling me? (2) What do I want to know? (3) What is the relationship between the two? (Srivastava & Hopwood, 2009). These questions provided a reflexive anchor, ensuring that the analysis maintained a dynamic connection between the empirical data and the theoretical framework.

The coding process was conducted in multiple stages, allowing for the continuous refinement of codes and themes. Initial coding focused on broad categories, which were then revisited and refined as new data was collected. This iterative approach allowed for the constant comparison of data across interviews and documents enabling the identification of recurring patterns and the evolution of themes over time.

For example, the initial coding process for Chapter 2 on climate finance trajectories began with broad categories, such as “institutions”, “actors”, and “path dependence”. These overarching themes provided a structured entry point into the analysis and were progressively refined as the data collection and analysis evolved. For example, the code “institutional change” was initially broad but later subdivided into more specific sub-codes, including “policy reforms”, “shifts in financial mechanisms,” and “changes in public administration,” reflecting some of the ways in which institutional evolution occurred within Brazil’s climate finance system. Similarly, the “actors” code was expanded to distinguish between key stakeholder groups, such as “government officials”, “NGOs and civil society” and “agribusiness stakeholders”.

For Chapter 3, the coding process began with broad theoretical categories, such as “interpretive flexibility”, “material/organizational structure”, and “adaptability to local demands”. These overarching codes provided a foundation for exploring how diverse stakeholders conceptualise and operationalise climate finance. As the analysis progressed, these themes were refined to include distinctions between stakeholder groups, highlighting how differing priorities shaped climate finance narratives and practices.

For Chapter 4, the coding process began with broad themes, such as “institutional dynamics”, “market development” and “policy alignment”. These initial codes captured overarching patterns, including how BNDES interacts with other stakeholders, the growth of climate finance markets, and the alignment of BNDES’s initiatives with Brazil’s national climate policy and international agreements. For instance, the code “market development” encompassed discussions around barriers to green bond adoption and the creation of new investment opportunities, while “policy alignment” highlighted efforts to integrate BNDES’s projects with broader climate goals.

1.3.9 Reflection on challenges and limitations

Despite efforts to diversify data sources, ensure reflexivity, and allow for triangulation, this research faced various challenges and limitations that merit discussion. These challenges spanned methodological, theoretical, and contextual dimensions, influencing the scope and depth of the findings.

1.3.9.1 Methodological limitations

A key methodological challenge arose from relying on interviews as the primary data source to capture stakeholder perspectives on Brazil’s climate finance system. Many participants were asked to recount past events, policy shifts, or institutional practices, introducing the risk of recall bias (Raphael, 1987).

Participants’ memories may have been influenced by later events or dominant narratives, which could have led to incomplete or altered recollections. To reduce this issue, interview data were cross-checked with other sources like policy documents, reports, and academic studies to strengthen the findings. However, in some cases, it was difficult to verify accounts or find alternative sources because only a few individuals were involved in certain events. Where triangulation was not feasible, I treated the data cautiously, using it to inform but not solely

support key arguments. In these cases, I moved from empathetic to suspicious interpretation to critically assess the accounts provided by interviewees (Willig, 2014).

Also, the multi-causal nature of climate finance systems presented challenges, particularly in Chapter 2, where the focus was on examining the evolution of climate finance trajectories. It is crucial to acknowledge that the analysis reflects my interpretation within the boundaries of the chosen theoretical framework (i.e. historical institutionalism and discursive institutionalism). As a result, some potentially relevant factors influencing the evolution of climate finance trajectories may not have been fully addressed. Furthermore, attributing policy changes to a dominant set of historical or ideational factors risks overlooking other significant influences. The intersection of political, institutional, and discursive dynamics creates a highly complex landscape, making it challenging to isolate specific drivers of change or to attribute outcomes to distinct causes. Consequently, certain causal relationships remain open to interpretation.

Finally, while my professional background facilitated access to influential stakeholders, the recruitment of interviewees was constrained by practical considerations, such as availability and willingness to participate. This resulted in some limitations in the diversity of perspectives captured, particularly from less visible or marginalised actors within Brazil's climate finance system. For example, voices from smallholder farmers or grassroots organisations were less represented compared to those of more prominent actors. Although efforts were made to address this by including a broad range of stakeholders, the sampling strategy inevitably prioritised central figures over peripheral participants, potentially narrowing the breadth of perspectives.

1.3.9.2 Contextual limitations

The research focused on specific periods in Brazil's climate finance evolution, reflecting the practical constraints of the PhD timeframe. This temporal limitation was particularly relevant to Chapter 4, which examines the role of BNDES in facilitating field-level transformation - a process that is inherently gradual and may take decades to materialise (Hoffman, 1999; Micelotta et al., 2017). As a result, the findings should be viewed as capturing a snapshot of ongoing dynamics rather than providing a comprehensive account of long-term developments. Future research will be essential to track these processes and assess their broader implications over time.

My dual role as a researcher and a professional with prior experience in Brazil's climate finance sector introduced both opportunities and challenges. While my background provided valuable contextual insights and facilitated access to key informants, it also required careful reflexivity to mitigate potential biases. Throughout the research process, I actively tried to mitigate this by reflecting on how my positionality shaped the framing of questions, the interpretation of data, and the narratives presented. Reflexive practices - such as engaging with multiple data sources, triangulating perspectives, and critically assessing my assumptions - were employed to enhance analytical rigor and objectivity throughout the research process.

1.4 Structure of the thesis and overview of papers

This thesis consists of three distinct but interconnected papers, each addressing a specific dimension of the dynamics shaping climate finance in Brazil. Collectively, they contribute to a theoretical investigation of how climate finance evolves through the interaction of institutional structures, discursive shifts, and the interests and strategies of key actors. Chapter 2 traces how institutional legacies and ideational change shaped Brazil's climate finance trajectory, while also showing how interests mediated the adoption or resistance to reform across different periods. Chapter 3 extends this perspective by examining how diverse actors interpret and articulate climate finance in ways that reflect their institutional positions and strategic priorities, from agribusiness to civil society organisations. Chapter 4 highlights the role of BNDES not only as an institutional actor and ideational entrepreneur but also as a mediator between public and private stakeholders whose interests converge or diverge around climate-related goals. Taken together, the three papers demonstrate that climate finance in Brazil is best understood as the outcome of evolving interactions between institutions and ideas, within which interests are embedded and continuously negotiated. An overview of each paper follows, outlining their core focus and key arguments, while their specific contributions to academic and policy debates are revisited in Chapter 5.

Chapter 2: Unpacking climate finance trajectories in Brazil: Institutions and ideas as driving forces for stability and change

This chapter examines the evolution of climate finance in Brazil, focusing on how institutional legacies and ideational shifts have shaped its development over time. It integrates insights from historical institutionalism (Hall, 2009; Steinmo et al., 1992; Thelen, 1999) and discursive institutionalism (Schmidt, 2010, 2011) to analyse the structural and discursive dynamics that

influence Brazil's climate finance governance. By adopting a longitudinal approach, the paper traces Brazil's climate finance trajectory from 1995 to 2020, revealing distinct phases characterised by resistance, adaptation, and transformation.

Through historical institutionalism, the chapter explores how Brazil's financial governance frameworks, policy structures, and sectoral path dependencies - particularly in agriculture and land-use change - have shaped the mobilisation and governance of climate finance. These institutional legacies have provided stability but also imposed constraints on Brazil's capacity to adapt climate finance mechanisms in response to shifting political and economic conditions. The study builds on existing research on state-led climate finance financial mechanisms (Flossmann-Kraus, 2020) by illustrating how instruments like the Amazon Fund and the Low Carbon Agriculture Plan (ABC Plan) not only facilitate climate finance but are also embedded within broader political and economic dynamics. By highlighting both their contributions and their vulnerabilities to political shifts, this analysis reveals how state-driven climate finance mechanisms are not static but continuously reshaped through governance contestation and institutional adaptation, and shifting stakeholder interests.

Discursive institutionalism complements this structural perspective by examining how competing narratives and political discourses have influenced Brazil's climate finance governance. The chapter highlights key shifts in discourse, such as the reframing of deforestation as both a global climate challenge and an economic opportunity through REDD+ mechanisms (Horn, 2023a; Pinsky et al., 2019). Similarly, it analyses how private sector engagement in climate finance has been promoted as a critical policy objective, even as the materialisation of private investment remains limited compared to public finance (Chiavari, 2023; Talanoa, 2024b). These discursive shifts illustrate how ideas interact with institutional structures and actors' interests to reshape governance arrangements and policy priorities but also demonstrate the challenges of translating these shifts into lasting institutional change.

Ultimately, this paper contributes to broader discussions on the role of institutions and ideas in shaping climate finance. By tracing Brazil's climate finance trajectory over 25 years, it provides insights into how emerging economies navigate the intersection of global climate goals and domestic development priorities. This foundational analysis lays the groundwork for understanding the broader themes of institutional dynamics, agency, and contestation that are further developed in the subsequent chapters.

Chapter 3: Understanding climate finances: Diverse interpretations and shared visions in Brazil

This chapter builds upon the institutional and discursive foundations established in Chapter 2 by introducing the concept of climate *finances*, framing it as plural, diverse, and fragmented rather than a singular, fixed category. This concept acknowledges that what is commonly referred to as climate finance is, in practice, a collection of distinct and overlapping mechanisms, practices, and interpretations shaped by different actors and contexts. By applying the concept of boundary objects (Star, 1989), this chapter develops a novel analytical approach to understanding how climate finance's interpretive flexibility enables collaboration while simultaneously reinforcing power asymmetries and contestations.

Drawing on 62 semi-structured interviews and policy document analysis, the paper maps the divergent ways climate finance is understood, employed, and contested by different stakeholder groups in Brazil, including government agencies, private sector actors, and civil society organisations. The findings reveal that while these groups share a broad framing of climate finance as a strategic opportunity, significant tensions emerge regarding its purpose, governance, and beneficiaries. For instance, the private sector primarily frames climate finance as an investment opportunity and risk management tool, whereas civil society organisations emphasise its role in addressing justice and equity concerns. Meanwhile, government actors oscillate between framing climate finance as an international responsibility, a national interest, and an economic driver.

These discursive differences also reflect underlying, though evolving, configurations of interests. Sectoral and organisational interests shape how actors define what counts as legitimate or desirable within climate finance, while discursive strategies are used to align these interests with broader narratives of opportunity and development. Building on Schutter et al. (2021), this research advances the theoretical application of boundary objects by demonstrating that climate finance functions not only as a depoliticising instrument - whereby conflicting interests are harmonised under the shared notion of "opportunity" - but also as a site of political struggle. For example, civil society actors in Brazil increasingly challenge whether climate finance mechanisms adequately address social inclusion and environmental justice, thereby re-politicising climate finance debates. These insights set the stage for Chapter 4, which shifts focus from the conceptual and discursive dimensions of climate finance to the institutional

level, examining how actors such as the Brazilian Development Bank (BNDES) engage with and mediate climate finance in practice.

Chapter 4: Beyond financing: BNDES and institutional change in Brazil's climate finance

This paper examines the BNDES as a key institutional actor in Brazil's climate finance system, analysing its dual role as both a financial intermediary and a driver of institutional change. While existing literature has often focused on the functional roles of NDBs in addressing climate change (Griffith-Jones et al., 2020; Griffith-Jones & Ocampo, 2018; Smallridge et al., 2012; Trabacchi et al., 2017), this paper extends these discussions by conceptualising BNDES as an institutional actor actively engaging in – and shaping - climate finance.

Building on Zhang (2022), the paper moves beyond conventional accounts of NDBs as passive implementers of financial mechanisms to demonstrate how BNDES engages in institutional work (Lawrence & Suddaby, 2006) to contribute to field-level transformation (Hoffman, 1999). Rather than merely facilitating financial flows, BNDES plays a strategic role in attempting to shape governance structures, influencing policy frameworks, and embedding climate-related objectives within Brazil's broader financial system.

By emphasising the agency of NDBs in facilitating climate finance, this paper contributes to debates on institutional change in climate governance. Unlike previous studies that primarily view NDBs as policy implementers (Zhang, 2022), this research underscores their role as institutional actors navigating contested governance spaces and balancing competing priorities. In doing so, it advances discussions on the evolving role of financial institutions in climate finance and their potential to drive systemic change in emerging markets.

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2 Unpacking climate finance trajectories in Brazil: Institutions and ideas as driving forces for stability and change

2.1 Abstract

The Paris Agreement on Climate Change's emphasis on nationally determined contributions underscores the importance of domestic strategies for mobilising climate finance. This paper examines the emergence and evolution of climate finance in Brazil, the world's sixth-largest emitter of greenhouse gases (GHGs). By integrating both structural and ideational elements, the study traces Brazil's climate finance trajectory from 1995 to 2020, uncovering its temporal and dynamic evolution through periods of resistance, adaptation, and discursive transformation. I show how institutional factors - such as climate policies, regulatory frameworks, the structure of the financial sector, and public administration - play a critical role in shaping the scope and direction of climate finance. However, structural elements alone cannot fully explain observed patterns. This paper demonstrates that ideas, particularly the discursive framing of low-carbon practices as either costs or opportunities, have material impacts on the evolution of climate finance in Brazil, mediating how different actors interpret and pursue their interests within existing institutional settings. The findings also highlight the discursive shift toward private finance as a key development, while critically assessing the material limitations of this shift. Moreover, the study underscores the fragility of institutional gains in the face of shifting political discourses, illustrating the vulnerability of climate finance to political change. Based on 62 semi-structured interviews with key policy actors, supplemented by secondary sources, this paper advances the understanding of Brazil's climate finance trajectories. These findings contribute to discussions on sustainable and climate finance, offering insights into the interaction of international pressures, domestic dynamics, and evolving configurations of interests and ideas, while advancing the theorisation of institutional change in emerging markets.

2.2 Introduction

Mobilising capital and redirecting investment behaviour towards climate change mitigation and adaptation have proven to be challenging tasks. While annual tracked climate finance flows approached nearly USD 1.3 trillion on average in 2021 and 2022, this figure falls far short of the financial needs required to achieve a 1.5˚C pathway (CPI, 2023). Addressing this shortfall necessitates a stronger focus on national-level regulations and policies, as they are critical to mobilising and deploying financial resources effectively for a climate-resilient economy (Peterson & Skovgaard, 2019). Despite increasing global capital mobility, countries retain the primary mandate to govern their financial systems and establish the institutional frameworks necessary for climate finance (Ha et al., 2016).

This paper offers a longitudinal analysis of Brazil's climate finance evolution from 1995 to 2020. Brazil is a major emerging economy and the world's sixth-largest emitter of greenhouse gases (GHGs), making it a key player in global climate governance. By examining Brazil's climate finance system, this paper highlights the interplay between institutional structures and ideational shifts and reveals how domestic institutions and ideas interact with each other and with global pressures to shape climate finance trajectories. Here, "trajectories" refer to the structural evolution of domestic arrangements being made to channel capital to climate-related projects and initiatives, and the ideas and discursive interactions that shape this evolution and are shaped by them.

Theoretically, this paper advances the integration of Historical and Discursive Institutionalisms to analyse climate finance. Institutional factors, such as regulatory frameworks, public administration, and financial sector structures, play a critical role in shaping climate finance. However, structural elements alone cannot fully explain observed patterns. By incorporating Discursive Institutionalism, this paper demonstrates that ideas - particularly the framing of low-carbon practices as either costs or opportunities - have material impacts on the evolution of climate finance in Brazil. The bidirectional relationship between institutions and ideas allows for moments of progress but also enables established domestic institutions and interests to reassert themselves, sometimes slowing change.

This paper makes three main contributions. First, it advances the integration of HI and DI by empirically demonstrating how institutional structures and ideational shifts interact to shape climate finance governance. While previous studies have examined the relationship between

institutions and ideas in various policy domains (Flossmann-Kraus, 2020; Gillard, 2016; Huang, 2022; Kang, 2022; Lockwood, 2021; Lorenzoni & Benson, 2014; Ochieng et al., 2016), this paper extends these discussions by providing empirical evidence of the bidirectional interplay between structure and agency in climate finance. In doing so, it moves beyond theoretical dichotomies (Beland, 2009; Bell, 2011; Pierson, 2004; Schmidt, 2011), to illustrate how ideational shifts influence institutional evolution while being simultaneously mediated, constrained, and reshaped by entrenched governance frameworks. Rather than treating institutional change as a linear process, this study highlights the dynamic and iterative relationship between structural continuity and discursive transformation, reinforcing the need for a more integrated analytical approach to institutional evolution.

The second contribution of this paper is to the climate finance literature. By tracing Brazil's climate finance trajectory over 25 years, it adopts a longitudinal perspective that reveals how institutional, political, and ideational shifts shape the decisions regarding financial flows and policy priorities over time. This approach situates climate finance within a broader governance framework, emphasising its co-evolution with political and economic transformations rather than viewing it as a static financial mechanism. This systemic perspective builds on and extends the work of Pickering et al. (2017) and Venner et al. (2024), who conceptualise climate finance as an evolving system shaped by fragmented governance structures, diverse actor interests, and competing priorities.

Finally, this paper contributes to policy debates by underscoring the need for institutional resilience in climate finance governance. While much of the literature focuses on mobilising financial resources, this study highlights a critical gap: the durability of the institutional frameworks that govern these resources. Building on Flossmann-Kraus (2020), it demonstrates how climate finance mechanisms remain vulnerable to political shifts, illustrating the risks associated with governance instability. This paper argues that beyond increasing financial flows, greater emphasis must be placed on governance mechanisms that buffer climate finance from political disruptions, ensuring its long-term effectiveness and alignment with climate objectives.

The remainder of the paper is structured as follows: Section 2 presents a review of the relevant literature and the analytical framework informed by HI and DI. Section 3 contextualises the case study and outlines the methodology. Section 4 provides an empirical overview of Brazil's climate finance trajectory. Section 5 discusses the findings through the lens of institutional

dynamics and ideational shifts. Finally, Section 6 concludes by reflecting on the broader implications of these findings and identifying areas for future research.

2.3 Existing literature and analytical framework

2.3.1 The evolving system of climate finance

There is not yet a widely accepted taxonomy of climate finance, reflecting its emergent nature. Common distinctions are often made between mitigation and adaptation climate finance, and between public and private climate finance (Falconer et al., 2014). For this paper, climate finance includes both local and international sources of finance of public and private investment that aims to support mitigation of and adaptation to climate change (Hong et al., 2020). This study captures and analyses the multiplicity of policies and initiatives that aim to shift capital or adjust existing investment behaviour towards climate-related projects at the domestic level.

The interdisciplinary nature of climate finance reflects the multi-dimensional challenge it seeks to address. It operates across geographical scales, involving international, national, and local actors, and encompasses a variety of financial instruments, from grants and concessional loans to market-based mechanisms such as carbon pricing and green bonds (Gasparini & Tufano, 2023). Climate finance is thus not only a financial challenge but also a governance issue, requiring coordination across diverse stakeholders and regulatory frameworks (Pickering et al., 2017).

The interdisciplinary nature of climate finance has attracted a growing body of research, particularly since 2008, when the field began to expand rapidly (Wu et al., 2024). Recent bibliometric analyses reveal a sharp increase in publications, with research themes diversifying to include the effectiveness of financial mechanisms, the role of regulatory frameworks, and the mobilisation of private sector investment (Wu et al., 2024). Despite this growth, a significant portion of the literature focuses on international mechanisms, such as carbon markets, global funds, and multilateral climate finance initiatives. While these studies have deepened our understanding of global climate finance dynamics, they have often overlooked the role of national contexts in shaping the mobilisation and allocation of climate finance.

National contexts are critical for understanding the evolution and implementation of climate finance. Domestic arrangements, shaped by legal, administrative, and regulatory systems, as

well as norms around transparency and accountability, significantly influence the evolution of climate finance (Pickering & Mitchell, 2017). Bhandary (2024), for example, investigates how the institutional design of national climate funds influences their ability to mobilise international finance, drawing on case studies from Brazil, Bangladesh, Ethiopia, and Indonesia. Similarly, Flossmann-Kraus (2020) examines the establishment of two national climate finance funds in Brazil - the Amazon Fund and the Low Carbon Agriculture (ABC) Programme - and analyses how actors employed specific ideas and discourses to shape the institutional design of these funds. Geddes et al. (2020) analyse the political debates surrounding the establishment and design of green investment banks in the UK and Australia, revealing how partisanship and policy goals influenced their creation and operational frameworks. Peterson and Skovgaard (2019) investigate how bureaucratic politics influence the allocation of bilateral climate finance across multiple donor countries, including Australia, Denmark, Germany, Norway, Sweden, the UK, and the USA.

Although these studies provide valuable insights into institutional design, governance, and allocation dynamics, as the field evolves, there is growing recognition of the need for a more integrated understanding of climate finance that considers its multi-level and multi-actor nature (Roberts et al., 2021; Venner et al., 2024). Building on Pickering et al. (2017), who conceptualise climate finance as an evolving subsystem of governance, emphasising its fragmented yet interconnected nature, this paper draws on the systemic characterisation of climate finance as *"a set of things… interconnected in such a way that [they] produce their own pattern of behaviour over time"* (Meadows, 2008, p. 2). This perspective underscores the importance of understanding how enduring institutional structures interact with shifting ideas to influence the development and evolution of climate finance trajectories.

Climate finance operates as a fragmented but interconnected system involving state representatives (public officials and bureaucrats) as well as non-state actors such as advocacy groups, businesses, non-governmental organisations, and academics. These actors negotiate priorities and preferences across international, national, and local scales, contributing to a governance system that is dynamic, contested, and continuously evolving. This means that systemic nature of climate finance requires an analytical approach that captures not only the stability provided by institutional structures but also the influence of ideas, discourses, and political contexts on financial flows and policy decisions. This paper aligns with Venner et al., 2024's reading of climate finance as "a messy political space where decision-making involves

diverse social actors at different levels collaborating, negotiating, and competing for access to and allocation of financial resources" (Venner et al., 2024, p. 48). By focusing on Brazil's climate finance evolution, this study contributes to this emerging body of research, offering a holistic perspective on the complexities of the climate finance system in an emerging economy context.

2.3.2 Institutional structures

Inspired by Greif's question on why societies evolve along distinct institutional trajectories (Greif, 1998), I draw on institutional theories to examine how climate finance trajectories unfold in Brazil. Institutional theories argue that institutions matter because they shape choices, behaviour, interests and identities of agents (Nelson, 2002). Although there are multiple approaches to how institutions are conceived within institutional theories (Hall & Taylor, 1996), they generally focus on how institutions change and shape outcomes, which is central to this paper. Specifically, in the context of financial systems, researchers have shown that broad institutional factors, such as political stability, property rights and enforcement institutions, significantly impact the development of national financial systems (Acemoglu et al., 2004; Demetriades & Fielding, 2012; Roe & Siegel, 2011). The application of institutional theories has proved to be useful for this paper because they allow for a detailed analysis of how existing structures, norms, and rules – both formal and informal – impact the mobilisation and allocation of climate finance (Goron & Cassisa, 2017).

To account for the emergence and evolution of climate finance trajectories, HI is a useful lens to explain the institutional structures in which climate finance initiatives are created, change and evolve (Thelen, 1999). HI understands political and economic development in historical context and in terms of processes unfolding over time and in relation to each other (Fioretos et al., 2016). It is concerned with how institutions are formed and evolve, for instance, often through path dependence – where historical developments influence future actions, making the adoption of alternative paths less attractive (Hall, 2009). Pierson asserts that once a particular path is established, self-reinforcing processes make reversals difficult, driven by power dynamics and patterns of social understanding (Pierson, 2004).

HI theorists generally focus on the role of 'structural', or 'contextual' conditions of systems (Bell & Feng, 2014; Bell & Feng, 2019). Structures are understood as 'contexts' that provide relative stability for society and a framework for actors interactions (Goddard & Nexon, 2016, p. 11). Due to its longitudinal and temporal orientation, HI is particularly helpful for

understanding decade-long processes of institutional dynamics, which seems to be how climate finance has evolved in Brazil. Key conceptual tools offered by HI, such as path dependence, self-reinforcement, and incremental institutional change (Lustick, 2011; Pierson, 2004; Steinmo et al., 1992) are useful for understanding climate finance trajectories as dynamic processes marked by both inertia and change, and that countries do not start with a blank sheet when designing and implementing climate finance initiatives. HI's conceptual approach identifies institutional arrangements that support or hinder rapid sustainable transitions, and it has been applied to various low carbon and energy policy studies e.g. (Andrews-Speed, 2016; DiLeo, 2023; Leiren & Reimer, 2018; Lockwood, 2021; Lockwood et al., 2017; Roberts & Geels, 2019). In particular, Lockwood et al. (2017) highlight the role of institutional path dependence and gradual change in shaping sustainable energy transitions, whereas Lockwood (2021) discusses how the UK's Climate Change Act (CCA) integrates long-term carbon reduction targets within a framework shaped by political dynamics, bureaucratic structures, and dominant ideologies. Together, these works provide valuable parallels for understanding similar dynamics in the evolution of Brazil's climate finance policies.

HI is often criticised for better explaining institutional stasis and continuity than change (Hay & Wincott, 1998; Olsen, 2009), as well as for insufficiently addressing the effect of ideas on outcomes and institutions (Schmidt, 2010). While HI is not a uniform theory (Bell, 2011) and does acknowledge agency (e.g. (Hall, 1993; Kern et al., 2014), its analytical focus on institutional structures and path dependence can overlook the complex, "messy" nature of climate finance. As a field characterised by its interdisciplinary, multi-actor, and multi-scalar dynamics, climate finance involves competing interests, evolving discourses, and fragmented governance processes that require a more flexible analytical approach.

Discursive Institutionalism (DI), therefore, offers a valuable complement to HI by explicitly analysing the role of ideas and discourses - elements that are present but remain implicit in HI. By integrating these frameworks, this paper provides a deeper understanding of how climate finance trajectories develop, capturing both the stability of institutional structures and the fluid, contested processes that shape financial flows and policy decisions over time.

2.3.3 Ideas

DI as developed by Schmidt (2008; 2010, 2011, 2012) incorporates the role of ideas into the analysis of policy processes, viewing discourses as vehicles for ideas (Schmidt 2008 p. 309). DI examines changes from within institutional systems by showing how ideas, through

discursive interactions, construct and/or reconstruct actors' choices and actions (Schmidt, 2008). Central to DI is an analysis of system changes, focusing on how and why actors bring about institutional transformation. It not only examines the communication of ideas but also the institutional contexts through which these ideas are conveyed via discourse. DI provides tools to uncover how policy actors emphasise certain issues, divert attention from alternative perspectives, and define what is considered acceptable or unacceptable within a given policy environment (Coulas, 2021).

DI's focus on ideas as the "substantive content of discourse" (Schmidt, 2008, p. 303) makes it particularly suited as a complement to HI in analysing the systemic dynamics that shape the trajectory of climate finance for three main reasons. First, the traditional conceptual approach of HI emphasises institutional structures and path dependence, which can overlook the fragmented and "messy" nature of climate finance as a governance system. Climate finance trajectories are shaped by a complex interplay of ideas communicated and contested by diverse actors at multiple levels. These ideas influence how financial mechanisms are prioritised, how resources are allocated, and how legitimacy and feasibility are framed. By focusing on these dynamics, DI also addresses the critique of methodological nationalism - a common limitation of HI - which assumes nationally bounded societies are uniform entities (Hameiri, 2020; Wimmer & Glick Schiller, 2002).

Second, DI's sensitivity to agent-based dynamics makes it particularly suitable for analysing climate finance, where policies and initiatives remain fluid and contested. As both Gillard (2016) and Lockwood (2021) highlight, DI provides a useful perspective for understanding how ideas and discourses shape the negotiation of priorities and the definition of policy boundaries. In Brazil, these dynamics are evident in the ways that policy actors debate and redefine what is considered viable or legitimate within the climate finance system.

Finally, DI's systemic perspective complements HI by emphasising the interconnectedness of ideas, actors, and institutional frameworks. Climate finance as a system evolves not only through structural continuity but also through the reframing of ideas and the renegotiation of institutional arrangements in response to shifting contexts. By integrating these frameworks, this paper offers a more comprehensive understanding of how climate finance trajectories develop in Brazil, capturing the dynamic interplay between stability and change in a multi-level, multi-actor governance system.

2.3.4 Integrating Historical and Discursive Institutionalisms

Scholars have interpreted the concept of institutions in multiple ways. For materialist-oriented HI scholars, institutions are sets of regularised practices with rule-like qualities that structure action and outcomes (Hall, 2009). In contrast, norm-oriented DI scholars view institutions as internal to sentient agents, functioning both as structures that constrain action and as constructs created and transformed by those same agents (Schmidt, 2008). Despite these differences, however, both approaches agree that institutions are not static entities, but rather are constantly evolving.

While HI and DI offer complementary insights into the dynamics of stability and change, neither fully captures how actors' interests interact with institutional and ideational processes. This thesis therefore adopts a view of interests not as fixed or purely material, but as contextually produced and discursively mediated within institutional settings. Actors such as agribusiness, financial institutions, and environmental organisations pursue goals that are shaped by existing institutional arrangements and legitimised through prevailing ideas about development, growth, and sustainability. In this sense, interests are understood as both structurally conditioned, emerging from specific policy legacies and incentive frameworks, and discursively constructed, as actors interpret and justify their preferences through dominant narratives and values. This perspective recognises that institutions, ideas, and interests are interdependent: institutions shape incentives and meaning, ideas provide interpretive frames, and interests translate these configurations into strategic behaviour.

As Culpepper (2011) demonstrates in his analysis of corporate power, business actors exercise influence not only through their economic position but also by framing their goals in ways that resonate with broader public narratives. Similarly, in the field of climate finance, economic stakes are articulated through discursive strategies that align private incentives with collective or developmental goals. This interaction between institutions, ideas, and interests is particularly salient in contexts where evolving governance frameworks intersect with contested understandings of environmental responsibility and opportunity. This insight resonates with previous analysis of the political economy of net zero transitions, which emphasises that the effectiveness of climate governance depends on the domestic configuration of state, market, and societal interests (Falkner et al., 2022) . Climate finance trajectories, similarly, reflect how national institutions mediate between global climate objectives and the interests of powerful domestic sectors.

This paper adopts a perspective on institutions that acknowledges both their structural stability and their capacity for change through ideas, as well as the embeddedness of interests within these processes. Institutions are not only fixed frameworks that guide behaviour but also dynamic arenas shaped and reshaped by the ideas and interests of the actors who inhabit them. Institutional structures influence which ideas and strategies become credible or legitimate, while ideas, in turn, play a critical role in reframing institutional arrangements and redefining interests. This perspective aligns with a more flexible branch of HI and the foundational principles of DI, which together allow for a broader conceptualisation of institutions, encompassing both formal rules (e.g., policies, regulatory frameworks) and informal norms (e.g., enforcement practices, transparency, and accountability). This broader view is particularly well-suited to the study of climate change and climate finance, where institutions manifest in diverse forms and originate from a range of actors (Hochstetler, 2021; Jordan et al., 2018).

The theoretical framework proposed in this paper integrates HI and DI to analyse the complex, systemic nature of climate finance trajectories (Figure 2.1). While each theory provides valuable insights on its own, their combination is crucial for understanding how institutional structures, discursive interactions, and evolving configurations of interests shape climate finance. HI highlights the influence of macro-structures - such as regulatory frameworks, governance systems, and financial norms - that provide continuity and constrain actors' choices. DI complements this by examining how change occurs within these structures through the agency of actors who communicate and negotiate ideas. The framework emphasises the interaction among these dimensions: institutional structures shape the cognitive and material boundaries within which ideas and interests evolve, while discursive processes influence how these boundaries are understood and reconfigured over time.

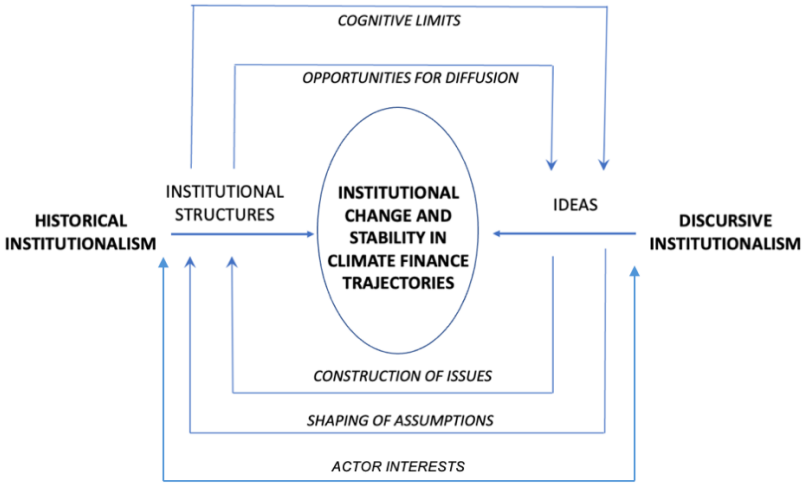

Figure 2-1 Theoretical framework. The interaction between institutions, ideas and actor interests. Source: Author

This paper contributes to understanding how the interplay between institutional structures and ideas manifests in the empirical context of climate finance. Few previous studies have explicitly combined Historical Institutionalism (HI) and Discursive Institutionalism (DI) in this domain. In particular, this paper acknowledges Flossmann-Kraus (2020)'s insights into the institutional dynamics of specific climate finance mechanisms, such as the Amazon Fund and the Low Carbon Agriculture Programme (ABC), while broadening its analytical lens. By analysing Brazil's national climate finance trajectory as a whole, this study moves beyond fund-specific analyses to investigate the systemic and longitudinal evolution of climate finance. In doing so, it provides a more comprehensive understanding of how institutional structures and discourses interact across multiple actors and governance levels over time.

It is important to acknowledge that an analysis focused solely on DI would risk overlooking the structural constraints and opportunities created by institutional processes, while an exclusive reliance on HI would miss the transformative potential of ideas and discourses. Combining these perspectives is essential for understanding how climate finance evolves in practice, bridging the gap between stability and change (James Mahoney & Kathleen Thelen, 2009) and contributing to a more holistic understanding of what institutional change means in the context of environmental governance.

Finally, while this framework emphasises the interplay between institutional structures and ideas, actors' interests are also integral to understanding climate finance trajectories. These interests are not treated as fixed or purely material but as contextually shaped and discursively

mediated within institutional settings. Economic stakeholders, such as agribusiness actors, financial institutions, and industrial sectors, pursue goals that are structured by existing institutional arrangements and legitimised through prevailing narratives about development, competitiveness, and sustainability. These interests often manifest through the reinterpretation and strategic use of ideas, for instance, when agribusiness coalitions adopt sustainability discourse to align with climate finance opportunities, or through the defence of established institutional practices, as in banks' preference for conventional lending over climate-aligned finance. Rather than operating outside institutions and ideas, interests are embedded within them, influencing how actors interpret constraints, mobilise narratives, and negotiate change. While a detailed examination of interest group politics lies beyond the scope of this theoretical framework, the empirical analysis recognises how evolving configurations of institutions, ideas, and interests shape policy trajectories in practice. This recognition is particularly important in the Brazilian context, where powerful economic coalitions have played a central role in shaping the design and implementation of climate finance mechanisms.

2.4 Methods

2.4.1 Case study context

As an emerging economy with a major climate footprint, Brazil offers a rich case for examining climate finance trajectories. Despite longstanding social, economic, and political barriers to adopting a low-carbon development model (Viola & Franchini, 2018), Brazil was an early adopter of comprehensive climate legislation in 2009, including specific mitigation targets (da Motta, 2011). Today, the country is the world's sixth-largest greenhouse gas emitter, primarily due to emissions from land-use change and deforestation, especially for cattle ranching (SEEG, 2024a). Methane from enteric fermentation in livestock further adds to the country's emissions. Were it not for these factors, Brazil would have relatively low emissions due to its substantial use of hydropower for electricity generation.

The case of Brazil offers a unique opportunity to explore the deep linkages between nature, climate, and finance, particularly how climate change and agriculture are critically interrelated. Brazil has the greatest potential in the world to abate or sequester carbon using natural climate solutions, at a total of 1.2-1.9 GtCO2e (McKinsey, 2022). The country also has major capacity for nature-based solutions emissions reduction, with a potential average of 781 MtCO2e per year (Soterroni et al., 2023). Agriculture not only contributes significantly to the country's

GHG emissions but is also highly vulnerable to climate change due to the sensitivity of crops and livestock to temperature and extreme weather events. The agribusiness sector is vital to Brazil's economy, employing a significant portion of the national workforce. In 2022, 18.97 million people were employed in agribusiness, representing approximately 19.04% of Brazil's total workforce of 98.04 million people (CEPEA, 2023).

Furthermore, Brazil provides an insightful perspective on the institutionalisation of climate change policies. The country established institutions that effectively controlled emissions for a period, notably in deforestation, land-use change, and agriculture post-2015 (SEEG, 2024b). However, it subsequently reduced its governance capacity in these areas, resulting in an upward trend in GHG emissions (Hochstetler, 2021). This fluctuation offers a singular opportunity to investigate change and continuity in climate finance amidst turbulent political and economic events over the past two decades, particularly in the Agriculture, Forestry, and Other Land Use (AFOLU) sector.

Finally, the choice of Brazil as a case study is also driven by the country's recent rapid growth in designing and implementing climate finance initiatives from both the private and public sectors. Brazil is a leader in green loans and green bond issuance in Latin America and has the largest financial sector and capital market in the region (Talanoa, 2024b). Climate finance, therefore, presents a timely opportunity for Brazil to catalyse broader developmental transformations, aligning financial systems with sustainable development goals.

In order to establish the case study context, an initial mapping of policies, initiatives and actors was conducted, along with searches of academic and grey literature to construct a timeline of key events. Public reports and policy documents contributed to an update of the mapping and timeline. Given the relevance of the role played by the AFOLU sector in Brazilian GHG emissions profile, I focus on capturing policies, approaches, and initiatives in this sector as they represent the greatest opportunity for reducing Brazil's GHG emissions. Figure 2.2 provides a timeline that underpins the case study research, outlining key initiatives and policies related to climate finance in Brazil. The timeline offers a broad overview of the main efforts that have been made to support the mobilisation of resources for climate action in the country. Data from this exploratory work anchored the beginning and end dates for the case study.

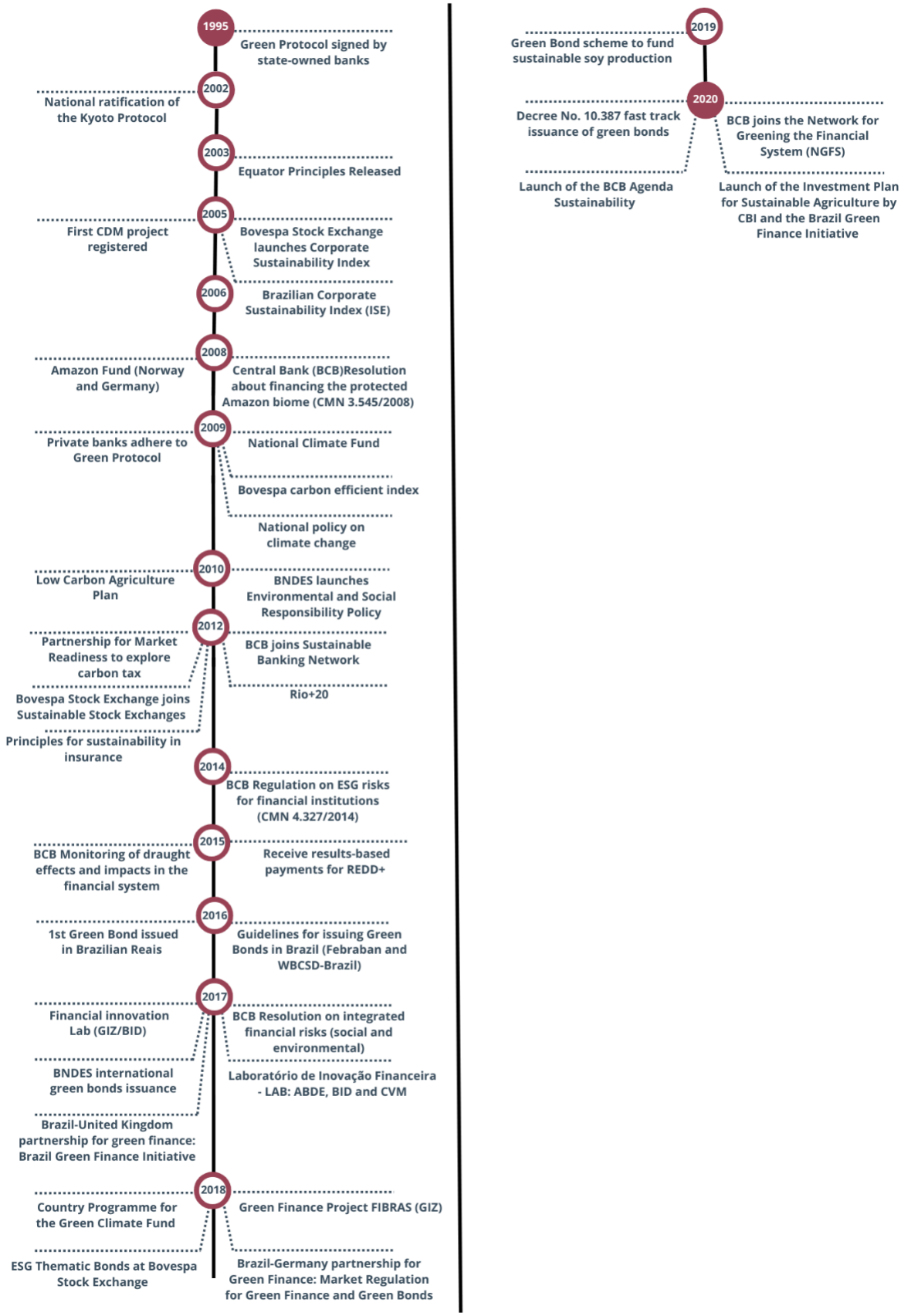

Figure 2-2 Timeline of key events, 1995-2020, structuring case study research. Source: Author

2.4.2 Data collection and analysis

This paper draws on 62 audio-recorded, semi-structured interviews with policy actors involved in the climate finance system in Brazil. This is complemented by secondary sources such as official government documents and reports, newspaper articles, press releases, and published research. Interviews were conducted in Brazil with representatives from the government, private sector, financial sector, academia, civil society, and international and multilateral organisations. A purposive sampling approach was employed, starting with an initial list of stakeholders chosen for their expertise, and expanding the sample through snowballing via interviews and events. See appendix C for a table of dates and informant categories for the interviews.

Regarding the interview process, I started with a preliminary 'topic guide' for my semi-structured interviews. I adapted my approach based on the flow of each conversation. With some participants, particularly those who gave succinct responses, I adhered closely to the topic guide and used more follow-up questions. For others, I found it more productive to ask broader, open-ended questions and allow them to elaborate freely, which often yielded richer data. Interview topics included (1) the emergence of the connection between finance and environment, and finance and climate change in Brazil; (2) different stages/phases of this connection; (3) salient components of the climate finance 'system'; (4) policies and initiatives that have been most successful in channelling capital towards climate-related projects within/for the country; (5) the way in which interaction is sought with international developments in the climate finance space; (6) participants' understandings of climate finance, including the objectives they associate with it, and examples of how they engage with or operationalise climate finance in their work.

Interview transcripts, fieldnotes and government reports were coded with Nvivo 12 to capture chronology, and structural and ideational elements. The core overarching codes, derived from my theoretical framework, included institutions, actors, path dependence, institutional change, and ideas. These high-level codes were further refined into sub-codes based on fieldwork data, such as the roles of specific actors (e.g. government officials, private sector stakeholders, NGOs) and particular aspects of institutional change (e.g. policy reforms, evolution of regulatory frameworks). During a second iteration of coding, I developed further sub-codes to capture more detailed data that emerged during analysis, such as the initial resistance to low-

carbon practices as added expenses, and the subsequent shift to recognising their economic benefits under the "ideas" code.

This iterative process allowed me to construct a detailed and layered understanding of the role of institutional structures and ideas in the evolution of climate finance trajectories in Brazil. Triangulation with different sources of evidence was used in order to minimise biases in the individual sources (i.e. interviews) (Thies, 2002), and to construct a more careful representation of the role of institutional structures and ideas. Also, while the interview data captured perspectives on institutional and ideational dynamics, the role of actor interests emerged as an important theme that warranted attention in the analysis.

It is important to acknowledge the interpretative nature of this analysis. First, the findings reflect my perspective as a researcher within the boundaries of the proposed theoretical framework, meaning that other relevant factors influencing the evolution of climate finance trajectories may have been overlooked. This is not a neutral or exhaustive account of Brazil's climate finance, but an analysis shaped by my theoretical approach and the voices and dynamics that I found most compelling. My perspective - as well as the structural and ideational dynamics I highlighted - is inevitably influenced by my positionality and engagement with participants.

Second, attributing policy change to a dominant set of historical or ideational factors may inevitably exclude other important considerations. Finally, while organising interviewees by group aims to provide general guidance to the reader, it is not intended to be strictly precise due to overlap between categories. In such cases - for example, academics working in civil society or governmental institutions, or banks that are state-owned - the categorisation of interviewees was based on their primary role or the context in which they were most relevant to the research questions. This pragmatic approach was adopted to ensure the analysis remained focused while acknowledging the fluidity of roles in climate finance governance. As a result, the grouping of stakeholders serves as a general guide rather than a strict classification.

The composition of the sample was influenced more by the accessibility of stakeholders for interviews than by a systematic selection based on their relevance. The snowball sampling approach, while useful in facilitating access to participants, inherently led to certain groups, such as government representatives and NGOs, being more represented in the interviews than

others. This overrepresentation reflects the ease of reaching these stakeholders rather than an intentional prioritisation of their perspectives.

2.5 The contours of Brazil's climate finance from 1995 to 2020

This section examines the evolution of climate finance in Brazil between 1995 and 2020. While the analysis considers broader trends across sectors, it places a particular focus on the Agriculture, Forestry, and Other Land Use (AFOLU) sector. This emphasis is justified by the sector's critical role in Brazil's greenhouse gas emissions profile, as AFOLU accounts for approximately 74% of the country's emissions (SEEG, 2024a) and has been central to its climate commitments under international agreements (Chiavari, 2023). Furthermore, AFOLU represents a uniquely complex governance challenge, involving diverse actors ranging from small-scale farmers to multinational agribusinesses, and addressing intersecting environmental, economic, and social priorities.

Consistent with HI's focus on the temporal sequencing of policy and institutional evolution, the analysis adopts a longitudinal approach, tracing how earlier institutional choices generated self-reinforcing dynamics that shaped subsequent phases of Brazil's climate finance trajectory. Overall, I argue that Brazil's climate finance trajectory during this period can be understood through three distinct phases, each shaped by evolving political contexts, shifting priorities, and the interplay of institutional structures and ideas. Initially, from 1995 to 2005, climate finance was dominated by a focus on the energy and industrial sectors, with agriculture and land use largely excluded due to strong structural and ideational resistance. From 2005 to 2015, a turning point emerged as Brazil began to integrate AFOLU into its climate finance framework. This was driven not only by structural developments but also by evolving ideas that reframed deforestation and sustainable land use as central to Brazil's climate goals. Finally, the period from 2015 to 2020 saw a notable shift in discourse toward greater private sector engagement, though in practice, public programs continued to dominate actual climate finance flows.

By exploring these three phases, I highlight the interplay between structural and discursive factors in shaping Brazil's climate finance trajectory. Although Brazil advanced significantly in creating policies and establishing funds to drive climate action, especially in forest conservation, the alignment between policy discourse and financial outcomes remained

uneven. This misalignment was particularly evident during periods of political instability and inconsistent public funding.

1995-2005: Structural and discursive barriers delay AFOLU's integration into climate finance

During this period, Brazil's climate finance agenda focused predominantly on the energy and industrial sectors, leaving the AFOLU sector largely excluded. This exclusion was shaped by a combination of structural and discursive barriers, reflecting deeper national dynamics and resistance to addressing deforestation and land use as climate issues.

First, economic dependencies on carbon-intensive agricultural practices were a significant structural barrier. Key drivers of deforestation, such as cattle ranching and soybean cultivation, were seen as integral to Brazil's economic competitiveness (Aamodt, 2015). For many agribusiness stakeholders, transitioning to low-carbon methods posed an unacceptable financial risk. Incorporating international scrutiny of the land use sector would thus clash with the influential economic interests of the powerful agriculture sector within Brazilian society (Friberg, 2009). As one interviewee noted,

> *"The way we [the country] had been doing agriculture for several decades could not simply be replaced by low-carbon agriculture without much of an effort."* (Interviewee 62, NGO representative).

Institutional limitations further reinforced the exclusion of AFOLU from climate finance. The 1995 Green Protocol, introduced by state-owned banks and the Brazilian Central Bank, was an early attempt to align financial practices with socio-environmental considerations. Public banks such as Caixa Econômica Federal and BNDES committed to assessing environmental impacts in asset management and credit decisions (Parreira & Alimonda, 2005). While the protocol did not explicitly reference climate change, it symbolised a nascent effort to promote sustainable resource use. However, private banks did not adopt these principles until 2009, reflecting the slow pace of institutional engagement in climate finance (Monzoni et al., 2014).

Discursive barriers stemmed from concerns over sovereignty and development. Brazil's political and military elites feared that incorporating deforestation into climate change policy could invite foreign interference in the Amazon (Viola, 2004). Slogans like "The Amazon is ours" reinforced the narrative that the forest was a national asset, framing deforestation as a

land management issue rather than a global climate concern (Aamodt, 2015). As another Interviewee noted,

> *"Especially some conservative sectors such as agriculture tried to reject the inclusion of any discussion related to tropical forests in the international climate change negotiations at the UNFCCC (...) We could often hear people saying that if the Amazon is ours, we are the ones who have to deal with it."* (Interviewee 22, non-governmental organisation representative)

Brazil's position in international climate negotiations reflected this nationalist sentiment. While actively engaging in the UNFCCC and the Clean Development Mechanism (CDM) – which allowed developed countries to offset their emissions by investing in emission reduction projects in developing countries - Brazil maintained a firm position against considering deforestation as an eligible issue within the mechanism (Aamodt, 2018; Viola, 2004; Viola & Franchini, 2014). Most CDM projects in Brazil during this period were centered on renewable energy and energy efficiency, including wind and hydroelectric power, biomass energy, and improvements in energy efficiency in buildings and industry (Friberg, 2009; Hochstetler & Viola, 2012).

Resistance from the powerful agribusiness sector further delayed AFOLU integration into climate finance. Traditional farming practices, which were carbon-intensive but familiar and profitable, dominated the sector. Farmers perceived low-carbon practices as untested, financially risky, and burdensome. As one Interviewee noted,

> *"Well, it is hard, you know… farmers… they, they perceived it [new practices] as additional expenses, more burden to them, they don't like that […]. And, well, farmers take money to do what they already know how to do. They wouldn't take money to do what they don't know how to do."* (Interviewee 41, private sector representative)

This captures the practical and financial resistance within the sector, where familiarity with traditional, carbon-intensive practices dominated decision-making. Farmers were more inclined to continue with established methods because they felt confident in their profitability (Interviewee 4).

The ruralist bloc in Congress, representing agribusiness interests, actively lobbied against policies that might jeopardise the profitability of large-scale agriculture (Hochstetler, 2021). This political influence reinforced the disconnect between deforestation and climate finance.

Consequently, during this period, efforts to address deforestation were largely seen as environmental concerns, disconnected from Brazil's climate finance agenda, which remained focused on energy and industry sectors (Aamodt, 2018).

By the end of this period, however, an increasing awareness of the economic potential of climate finance, particularly through mechanisms such as REDD+ (Reducing Emissions from Deforestation and Forest Degradation) began reshaping domestic perspectives. REDD+ highlighted the potential to value forests as carbon sinks, linking conservation to financial incentives (Larson & Petkova, 2011). The sharp decline in deforestation rates after 2005, combined with the recognition that international climate finance could provide substantial resources for forest conservation, marked a turning point (Krug et al., 2006).

At COP12 in 2006, Brazil took a significant step by supporting the inclusion of deforestation in international emissions accounting for the first time (Aamodt, 2018). This signalled an important shift, as domestic resistance began to give way to the realisation that forest conservation could provide access to substantial international resources through climate finance (Interviewee 10, Interviewee 15). This shift has proved timely in subsequent years, as the Brazilian Amazon has achieved the world's largest reductions in forest-related emissions, with deforestation rates dropping by 72% between 2004 and 2018 (Pinsky et al., 2019).

These developments illustrate how institutional structures, discursive shifts, and evolving interests interacted to shape policy trajectories. The agribusiness sector's opposition to AFOLU inclusion in climate finance was grounded not only in its economic dependence on land expansion and subsidised credit, but also in dominant narratives of national development and sovereignty that legitimised these practices. Similarly, financial institutions interpreted their mandates through these same lenses: state-owned banks such as Banco do Brasil sustained their legitimacy through large-scale rural credit programmes, while private banks, acting as intermediaries for public funds, aligned their business models with established policy priorities. In this sense, resistance to change was not merely the defence of fixed material stakes but a reflection of how interests were institutionally structured and discursively justified. Understanding this interplay between ideas, institutions, and interests helps explain why AFOLU remained peripheral to Brazil's climate finance agenda despite increasing international pressure.

This period exemplifies what HI calls path dependence: initial policy and credit arrangements created self-reinforcing expectations and vested interests that made deviation from established models of agricultural finance increasingly costly and politically contested. Early institutional choices, such as the dominance of state-led rural credit schemes and the political protection of agribusiness subsidies, generated increasing returns that locked actors into familiar routines and reinforced the legitimacy of conventional lending. These arrangements constrained policy innovation by embedding agricultural expansion within Brazil's broader development model, linking economic growth, rural credit, and export performance in ways that were difficult to disentangle. In this sense, the exclusion of AFOLU from climate finance was not simply a temporary oversight but the product of historically entrenched institutional trajectories that shaped the boundaries of policy and the distribution of power among key actors.

What explains this sustained resistance?

The exclusion of AFOLU from climate finance during this decade resulted from mutually reinforcing institutional and ideational factors that created a stable equilibrium resistant to change. Brazil's agricultural credit system, established in 1965, had created powerful path dependencies that oriented financial flows exclusively toward production expansion. This institutional lock-in was protected by the *bancada ruralista*'s control of key congressional committees and their ability to veto threatening policies. Meanwhile, sovereignty concerns, rooted in military nationalism, framed any international oversight of land use as neo-colonial interference. When institutions, political power, and nationalist ideology all pointed in the same direction, change became nearly impossible despite mounting international pressure.

From 2005-2015: Shifting discourses and institutional frameworks bring AFOLU into the climate finance agenda

The period between 2005 and 2015 marked a turning point for climate finance in Brazil. During this time, Brazil saw the emergence of key institutional frameworks and a shift in discourse that began to integrate climate considerations into broader environmental and economic policies. These shifts were both structural and discursive, setting the stage for the inclusion of the AFOLU sector within Brazil's climate finance strategies.

One of the most significant developments during this period was the institutionalisation of climate governance through the creation of new policies and institutions. The National Policy

on Climate Change (PNMC), established in 2008, provided a comprehensive framework for addressing climate change across sectors, including agriculture and land use. By setting emissions reduction targets and developing sectoral plans, the PNMC linked domestic climate action to international commitments, emphasising the role of climate finance in achieving these goals (da Motta, 2011). This was a significant development in the emergence of climate finance in Brazil and laid the groundwork for subsequent initiatives and policies related to climate finance (Viola & Franchini, 2018).

The period saw the creation of three major climate finance mechanisms: the Amazon Fund, the National Climate Fund, and the Low Carbon Agriculture Plan (ABC Plan).

The Amazon Fund, established in 2008 following negotiations between Brazil and Norway, was another key development. Created as a REDD+ mechanism, the fund aimed to raise donations for investments focused on preventing deforestation and promoting sustainable use of the Brazilian Amazon. The fund's origins can be traced back to the Pilot Program to Conserve the Brazilian Rainforest (PPG7), an initiative in the 1990s that laid the groundwork for international cooperation on forest conservation in Brazil (Barbanti, 2013). The PPG7 programme helped establish key frameworks and partnerships that later informed the structure and goals of the Amazon Fund (Horn, 2023a). By 2015, the Amazon Fund became eligible for results-based payments under REDD+, making Brazil the first developing country to access such funds, further integrating forest conservation into its climate finance strategy (Pinsky et al., 2019).

The National Climate Fund was established in 2009 as an essential mechanism for supporting climate finance. This fund provided financial support for various initiatives, including renewable energy, illegal deforestation reduction, and adaptation strategies (Colonna et al., 2022). While the fund's revenue sources, which originally included carbon credits and offshore oil exploration, did not generate the expected levels of income, it still played a vital role in channeling domestic and international resources to support climate initiatives (Flossmann-Kraus, 2020)

The ABC Plan, launched in 2010, specifically targeted the agricultural sector by promoting sustainable, low-carbon agricultural practices. It outlines the actions needed to transition Brazilian agriculture toward a low-carbon and more climate-resilient model, including specific goals and guidelines aimed at promoting sustainable practices, such as no-till farming, crop-

livestock-forest integration, and reforestation (Carauta et al., 2021). To finance these activities, the government created the ABC Programme, a rural credit line offering incentives for producers to adopt sustainable practices. The ABC Programme, funded mainly by Banco do Brasil, a state-owned bank, serves as the primary rural credit line focused on environmental conservation and climate change mitigation through sustainable agricultural production (Gianetti & Ferreira Filho, 2021). However, challenges such as lengthy approval timelines, extensive documentation requirements, and limited technical assistance for farmers further limited its uptake. Producers often defaulted to traditional credit lines, which were faster and simpler to access; and state-owned banks often reinforced path dependency by prioritising conventional loans over climate-aligned financing (Hochstetler, 2021).

The role of the Central Bank of Brazil during this period was instrumental in shaping the financial system's alignment with climate goals. In 2008, the Central Bank introduced regulations to restrict rural credit in the Amazon, requiring compliance with legal titling and environmental regulations as a condition for credit approval. This policy represented a significant effort to address deforestation by tying financial practices to environmental standards (Assunção et al., 2020). Additionally, the Central Bank issued broader regulations on risk management and social, environmental, and climate responsibility, mandating that financial institutions incorporate climate-related risks into their decision-making processes (BCB, 2021). While these regulatory changes created a more favourable environment for climate-aligned investments, their immediate impact was limited as financial institutions continued to prioritise conventional lending practices.

Brazil's success in accessing international climate finance was closely tied to improvements in public administration. The enhanced capacity for monitoring and controlling deforestation, particularly through the use of satellite-based systems, played a pivotal role in significantly lowering deforestation rates starting in 2005 (Flossmann-Kraus, 2020). These advancements also strengthened transparency and governance mechanisms, positioning Brazil as a leader in accessing international climate finance through REDD+ payments (Wolosin et al., 2016)

Wolosin et al. (2016) highlighted that Brazil became the first developing country eligible for results-based payments under REDD+, largely due to its robust governance framework (Wolosin et al., 2016). Horn (2023) further emphasised Brazil's leadership in designing and negotiating REDD+ mechanisms, with the Amazon Fund serving as a prime example of global South protagonism. Unlike many other REDD+ initiatives, where international entities often

dominate governance, Brazil's public administration, through the Brazilian Development Bank (BNDES), maintained control over the Amazon Fund. This ensured that decisions about fund distribution and usage remained nationally governed, underscoring the role of Brazil's governance structures in successfully attracting climate finance (Horn, 2023a).

The evolving discourse around climate finance also played a pivotal role. As international pressure grew and the economic benefits of addressing climate change became clearer, stakeholders began to see sustainability not as a burden but as an opportunity. A representative from BNDES captured this shift:

> *"(...) The issue has grown in importance. (...) There is still a struggle of interests, but in the long term, it is understood that environmental concerns will enhance competitiveness, help reduce risks [...]; [...] Today's world is different."* (Paiva, 2012)

Over time, businesses that were initially resistant to change began to recognise that aligning with climate goals could unlock access to better financing and new markets. One government representative observed:

> *(...) but as soon as the financial benefits became clear, they [businesses] see sustainability as part of the equation. It's like "If sustainability helps me access better financing or new markets, then we'll figure it out." (...) It's a slow shift, but it's happening.* (Interviewee 40, government representative)

Civil society and NGOs played a critical role in shaping this shift. Initiatives like the Soy Moratorium (2006) and Beef Moratorium (2009), led by groups like Greenpeace, aimed to restrict market access for products linked to deforestation. These initiatives demonstrated the power of non-state actors in influencing Brazil's climate finance strategy, particularly when government-led efforts faced resistance from entrenched economic interests (Flossmann-Kraus, 2020). This reflects how active civil society participation complements governance mechanisms to attract and manage climate finance effectively (Horn, 2023a, 2023b).

The period between 2005 and 2015 was crucial for establishing key institutional frameworks and policies that integrated climate considerations into Brazil's economic and environmental agendas. During this time, Brazil laid the groundwork for a more structured and integrated approach to climate finance, though significant challenges, including institutional inertia, bureaucratic hurdles, and financial system preferences hindered the full realisation of climate

finance benefits. Nonetheless, this period marked a critical turning point for climate finance in Brazil.

What enabled and accelerated this transformation?

Three mechanisms accelerated climate finance expansion during this period. First, institutional learning from successful deforestation reduction demonstrated that environmental governance could coexist with economic growth - agricultural production increased even as deforestation declined. Second, policy feedback effects from early climate finance initiatives created constituencies for expansion: NGOs that received Amazon Fund resources became advocates for program continuity, while farmers benefiting from ABC credits lobbied for increased funding. Third, international demonstration effects - particularly Norway's $1 billion pledge to the Amazon Fund - validated Brazil's approach and encouraged other actors to participate.

From 2015-2020: Navigating political turbulence and the discursive shift towards private climate finance

From 2005 to 2014, Brazil's climate finance policy remained relatively stable, marked by consistent climate governance across four consecutive presidential terms under the Workers' Party. However, the political landscape shifted dramatically starting in 2015, following the impeachment of President Rousseff amid an economic crisis. These events destabilised Brazil's broader political and institutional context, which was further affected by the 2016 impeachment and the 2018 election of President Jair Bolsonaro. Under Bolsonaro's administration, significant budget cuts to the environmental ministry and its agencies led to increased deforestation rates (Hochstetler, 2021).

Under Bolsonaro's government, climate policies, including key funding mechanisms, faced setbacks. Two critical climate finance sources - the Climate Fund and the Amazon Fund - were undermined. Between 2019 and the end of Bolsonaro's term, the Climate Fund ceased issuing new public calls for projects, with its budget for non-reimbursable resources plummeting to the lowest levels since 2011 (FNMC, 2022). In 2019, for instance, less than 10% of the allocated budget was spent, a stark contrast to the 94% executed the year before (Prizibisczki, 2022). The Amazon Fund also suffered significant disruptions, with Norway and Germany freezing millions in donations after the Bolsonaro government dissolved the fund's guidance and technical committees in early 2019 (Thomaz et al., 2020). Rising deforestation rates further

eroded Brazil's credibility, prompting international sovereign investors to publicly cite deforestation as a reputational and financial risk (IPDD, 2022). [1]

Despite these challenges, Brazil's climate finance narrative underwent a notable discursive shift during this period, emphasising private sector engagement and the economic benefits of low-carbon practices. From 2016 onwards, efforts to maintain low interest rates and reduce government intervention in funding climate initiatives fostered a move toward promoting private finance as a key player in driving climate-related investments. This narrative marked a departure from the traditional reliance on public funds, instead prioritising public-private partnerships and innovative financial mechanisms, such as green bonds, green funds, and sustainable loans.

A notable development in private sector engagement with climate finance was the issuance of Brazil's first green bond in 2016 by Fibria, a pulp and paper company. The $500 million bond financed sustainable forestry projects, serving as one example of the private sector's growing role in addressing climate change (Ferrando et al., 2021; Monteiro et al., 2024). In the same year, the Brazilian Business Council for Sustainable Development (CEBDS) and the Brazilian Federation of Banks, supported by the Climate Bonds Initiative (CBI), developed the Guidelines for Issuing Green Bonds in Brazil (FEBRABAN & CEBDS, 2016). This effort aimed to align private sector actions with the global push for climate-aligned investments and to provide a framework for expanding sustainable financing tools. Green bonds became an important component of this shift, and the enactment of Decree No. 10.387 in 2020 aimed to facilitated their issuance domestically (Mejía-Escobar et al., 2021).

The role of state-owned banks like BNDES and Banco do Brasil also evolved during this period. BNDES issued its first green bond in 2017, raising substantial capital for renewable energy and forestry conservation. Banco do Brasil followed suit, financing renewable energy and sustainable agriculture. Major private banks, such as Bradesco, also began issuing green bonds, while Brazilian investment management companies launched green funds focused on sustainable projects. These developments reflected the growing alignment of private financial

[1] Following the election of President Lula in 2023, efforts have been made to restore both the Climate Fund and the Amazon Fund. Norway and Germany have resumed their contributions to the Amazon Fund, signalling a renewed commitment to forest conservation and climate action under the new administration. This shift marks a departure from the policies of the previous government, reflecting a broader focus on environmental protection and sustainable development.

institutions with climate finance goals, even as public investment continued to dominate financial flows into climate projects.

The government's broader focus on fiscal discipline, privatisation, and promoting private investment reinforced the shift toward private sector-driven climate finance (Interviewee 30, Interviewee 33). As one NGO representative noted:

> *"There has been a strong push from both the government and agribusiness associations to present green finance as an opportunity for the sector. We're seeing monthly announcements of new initiatives and working groups focused on sustainable agribusiness"* (Interviewee 10, non-governmental organisation representative)

However, it is important to consider that this shift was primarily discursive as the overall impact in actual financial flows remained limited. While private investments in climate finance increased, they remained modest compared to public investments, which continued to dominate climate finance contributions through programmes such as the Amazon Fund and the National Climate Fund (Talanoa, 2024). This underscores the gap between rhetoric and reality: despite the emphasis on private sector engagement, government programmes remained the primary source of real financial flows into climate projects. Government-funded large-scale initiatives such as the Amazon Fund continued to dominate Brazil's climate finance.

At the same time, perceptions within the agribusiness sector began to shift. Initially, low-carbon practices were dismissed as burdensome and risky, with conservative actors favouring traditional, profitable methods. Over time, however, the economic benefits of sustainability gained traction. As one NGO representative emphasised:

> *"It is now widely understood that for the agricultural sector, involvement in this transition process is not optional but rather a necessary condition to ensure continued investments, which includes anticipating the emergence of a carbon market."* (Interviewee 15, non-governmental organisation representative)

This evolving perspective was illustrated by Joaquim Levy, then president of BNDES, in 2019, when he emphasised the importance of demonstrating Brazil's environmentally responsible advances in the agribusiness sector. In his words:

> *"We must continually show the rest of the world that our progress in the agro-industrial sector is pursued in an environmentally responsible manner. This is a time of change. BNDES is also part of this broader*

> *movement, seeking mechanisms to increase the country's agricultural productivity, addressing market failures, and contributing to realizing and enhancing our potential."* (Levy, 2019)

The growing alignment of economic and environmental priorities signalled a gradual, albeit uneven, shift in the interests of key stakeholders. While traditional practices continued to dominate, the acknowledgment of sustainability's potential economic benefits began to reshape perceptions, particularly in sectors reliant on international markets. Export-oriented agribusinesses, especially soy and beef producers, faced increasing scrutiny from international buyers and investors linking market access to deforestation-free supply chains and environmental certification. In response, leading firms adopted voluntary sustainability commitments or joined initiatives such as the Soy Moratorium, not necessarily out of ideological conviction but as part of a broader process through which sustainability became discursively embedded in the language of competitiveness and legitimacy.

This shift reflected not only changing economic incentives but also an evolving discourse in which low-carbon agriculture was reframed as a win–win pathway that reconciled production and environmental responsibility. Private banks similarly began to reposition themselves within this new landscape, identifying reputational and financial opportunities in the expanding field of sustainable finance. The launch of green bonds, ESG-linked credit lines, and sustainability indices reflected a growing alignment between institutional mandates and the global narratives of climate responsibility. For instance, BNDES's 2017 green bond issuance and subsequent private bank initiatives signalled not only recognition of investor appetite for climate-aligned assets but also the internalisation of sustainability as a marker of financial modernisation and credibility.

Taken together, these dynamics illustrate how institutional incentives and discursive reframing worked together to reshape stakeholder interests, aligning environmental claims with prevailing notions of economic advancement. The evolution of Brazil's climate finance discourse thus reflected not a simple shift from self-interest to normative commitment, but a process in which ideas about competitiveness, legitimacy, and sustainability co-evolved within changing institutional contexts.

Why did discourse shift without corresponding financial flows?

Between 2015 and 2020, Brazil's climate finance narrative reflected both opportunities and challenges. The increased emphasis on private sector engagement demonstrated the potential of innovative financial mechanisms, but the gap between rhetoric and reality highlighted the continued reliance on public investment.

The emphasis on private finance served as a political solution to an economic problem. The 2014-2016 recession eliminated fiscal space for public climate programs while the Paris Agreement intensified international expectations. Promoting private finance allowed the government to maintain climate commitments without budget allocations. However, fundamental barriers remained unchanged: Brazil's interest rates stayed high, long-term capital markets remained underdeveloped, and climate projects couldn't compete with government bonds offering high returns with very low risk. The result was: climate finance frameworks proliferated while actual capital continued flowing through traditional channels.

Table 2.1 summarises the key aspects of each phase, highlighting the dominant climate finance priorities, structural and discursive barriers, the role of interests, institutional milestones, shifts in political contexts, the challenges faced in each period, and the international drivers and pressures.

Table 2-1 Brazil's climate finance trajectory: key themes and evolution across phases (1995–2020)

Time Period/Phase	Dominant climate finance priorities	Structural factors	Discursive factors	Interests	Institutional milestones	Shifts in political contexts	Barriers and challenges	International drivers and pressures
1995–2005	Focus on energy and industrial sectors; agriculture excluded	Economic reliance on carbon-intensive agribusiness; limited institutional capacity	Sovereignty concerns over Amazon; deforestation framed as domestic land-use issue	Agribusiness defends access to subsidised rural credit and land expansion; state banks see subsidised credit as developmental duty; "economic growth" equated with agricultural intensification.	Green Protocol introduced (1995)	Stable governance but resistance to external influence; prioritisation of economic growth	Institutional inertia; agribusiness resistance; slow adoption of Green Protocol by private banks	UNFCCC/CDM excludes deforestation; donor pilots like PPG7 build early capacity; sovereignty discourse reinforced by resistance to external monitoring
2005–2015	Integration of agriculture; focus on REDD+; renewable energy	Increased institutional capacity; bureaucratic hurdles; path dependency in credit allocation	Growing recognition of economic benefits of addressing climate change; shift in stakeholder narratives	Interests redefined as conservation becomes compatible with development; REDD+ and ABC Plan create incentives aligning sustainability with competitiveness.	Creation of PNMC (2008); Amazon Fund, National Climate Fund, and ABC Plan; Central Bank regulations	Strengthened climate governance under consistent leadership; alignment with global frameworks	Limited technical support; slow adoption of low-carbon practices; entrenched financial preferences	REDD+ negotiations open results-based payments; Norway/Germany Amazon Fund contributions; Soy/Beef Moratoria create trade pressures; international NGOs amplify domestic coalitions
2015–2020	Shift towards private sector engagement; emphasis on sustainable agriculture	Budget cuts to environmental agencies; disruptions in major climate funds (e.g. Amazon Fund)	Rhetoric emphasizes private sector solutions; deforestation viewed as reputational risk	Banks and agribusiness reconstruct "green finance" as profitable and reputationally valuable; ESG norms reshape what counts as legitimate business practice.	Issuance of first green bond (2016); Decree No. 10.387 facilitates green bond market (2020)	Political instability post-Rousseff impeachment; Bolsonaro administration weakens climate protections	Gap between rhetoric and financial flows; reliance on public investment despite private finance push	Paris Agreement/NDCs raise reputational stakes; green bond norms; investors cite deforestation risk; donor freezes and EU debates constrain narrative

2.6 Revisiting Brazil's Climate finance trajectory through institutions and ideas

This section draws on the analytical framework presented in Figure 2.1 to examine the interplay between institutional structures and discursive interactions that shaped Brazil's climate finance trajectory. The framework highlights how institutional structures and ideas interact bidirectionally, with structural factors shaping, and being shaped by, ideas. The analysis focuses on key processes such as opportunities for diffusion, construction of issues, cognitive limits, path dependency, layering, and shaping of assumptions to explain both continuity and change in Brazil's climate finance system.

Institutional foundations and path dependencies

Brazil's climate finance evolution aligns with key insights from HI, which emphasises path dependence and the enduring influence of institutional legacies (Pierson, 2004). The country's climate finance evolution has been shaped by a combination of institutional factors, including climate change policies, regulatory frameworks, the structure of the financial system, and the national political context. Policies such as the National Policy on Climate Change and mechanisms such as the Amazon Fund and the ABC Plan provided foundational frameworks for integrating climate considerations into the country's broader economic and environmental agendas. Table 2.2 provides a summary of the results and includes examples that illustrate how these institutional factors have shaped climate finance trajectories in Brazil.

Table 2-2 Institutional factors and their exemplary effects. Illustrative, non-exhaustive

Institutional factors	Effects	Example
Climate change policies	Provide the overarching framework for climate finance activities in the country and set the direction for investments in low-carbon and climate-resilient development (e.g. National Policy on Climate Change)	The establishment of the National Policy on Climate Change in 2009 created a structured approach for climate finance, evolving over time to incorporate new targets and mechanisms.
Regulatory frameworks	Create an enabling environment for climate finance initiatives (e.g. Central Bank Sustainability Agenda)	The Brazilian Central Bank's regulatory frameworks have evolved to impose stricter environmental criteria for financial institutions
Structure of financial system	Degree to which capital is distributed through equity and credit markets (e.g. Brazil's economy heavy reliance on state-owned banks as the source of long-term oriented financial capital)	The reliance on state-owned banks initially focused on traditional projects, but has gradually incorporated climate finance through green bonds and other innovative investment vehicles. This evolution includes the increased issuance of green bonds.
National political context	Public administration (e.g. deforestation control and monitoring)	Political shifts have led to fluctuations in climate policy enforcement, impacting deforestation rates and international funding dynamics. This reflects the relevance of political stability in the effectiveness of climate finance strategies.

In particular, the national structure of the financial system, notably the historical reliance on state-owned banks (Torres Filho et al., 2014), significantly shaped Brazil's approach to climate finance in two main ways. First, long-term financing, which is crucial for climate-aligned investments, was primarily provided by public and governmental banks. This was largely due to Brazil's historically high short-term interest rates and the availability of high-yield, risk-free treasury bonds (Pereira et al., 2011). Since the inception of the Real Plan in 1994, short-term interest rates have remained persistently high in Brazil as a measure to combat the threat of hyperinflation. This made it less appealing for private financial institutions to invest in riskier, long-term climate projects rather than in safer, short-term government securities (Ferraz & Coutinho, 2019).

This reality imposed cognitive limits - particularly in sectors such as forestry conservation and low-carbon agriculture - and created a path dependency in the supply side. With public funding for agriculture readily available and deeply embedded in the financial system, private finance was relegated to a secondary role and state-led mechanisms dominated climate finance flows. Their dominance in the credit market had the unintended consequence of crowding out the private financial sector (Musacchio et al., 2014). For instance, private banks often acted merely as intermediaries ("*repassadores*") of the Brazilian Development Bank (BNDES) funding rather than direct competitors in financing climate-related projects, and they were less

incentivised to engage in climate finance when state-owned banks, such as BNDES and Banco do Brasil, were already meeting much of the demand (Interviewee 10, non-governmental organisation representative). This is in line with Geddes et al. (2018) who caution against the risk of public finance crowding out private finance as markets mature and provides a critical lens to evaluate the long-term implications of Brazil's reliance on public financing and the need for a balanced transition to private sector engagement.

Second, the ready availability of public funding for traditional agricultural practices created a situation of path dependency in the demand side, where businesses had little reason to change. With state-owned banks like BNDES and Banco do Brasil providing familiar and accessible credit for conventional practices, there was no strong incentive for businesses to seek out newer, climate-aligned financing options. The system was already meeting their needs, making it easier to stick with the status quo. This preference for traditional credit lines transformed climate-aligned options, such as the ABC credit lines, less appealing due to bureaucratic hurdles and higher perceived costs. As a result, producers often chose what was familiar and easier to access, reinforcing a cycle where traditional practices continued to dominate over innovative, low-carbon approaches.

Also, the historical focus on rural credit schemes in the ABC Plan reflected a constrained understanding of low-carbon agriculture, emphasising traditional efficiency improvements such as pasture recovery rather than transformative practices. This reflects deeply ingrained policy and financial preferences that prioritise continuity over experimentation. In particular, the strong role of state-owned banks in agricultural financing has reinforced a cautious approach, as financial institutions prioritise lending for activities perceived as lower risk and more predictable in terms of returns. These underlying preferences shaped not only policy design but also perceptions of what was financially viable and politically feasible within the climate finance system. By framing sustainability in terms of optimising existing agricultural production rather than fundamentally reshaping it, the ABC Plan reflected the broader tendency to integrate climate objectives within prevailing economic structures rather than to challenge or transform them.

Lockwood (2022) highlights the critical role of institutional context in shaping the feedback effects of policies, arguing that institutional configurations influence how policies evolve by mediating the distribution of costs and benefits and organising political constituencies (Lockwood, 2022). This perspective is particularly relevant to Brazil, where the dominance of

state-owned banks created both opportunities and constraints for climate finance. The reliance on public financing mechanisms, while providing foundational stability, has also reinforced traditional pathways, limiting the emergence of more innovative approaches. This finding echoes Schmidt (2008), who notes that institutional structures often constrain the transformative potential of new ideas. It also resonates with Flossmann-Kraus (2020)'s observation that institutional path dependencies were both a source of stability and a constraint on transformative change.

Discursive shifts and reframing

Ideas played an important role in shaping Brazil's climate finance trajectory, aligning with the insights of DI, which emphasises the power of ideas and discourse in driving institutional change (Schmidt, 2010). In line with Lorenzoni and Benson's (2014) insights, the Brazilian experience underscores the role of normative ideas in legitimising policy action. Over time, three key discursive shifts emerged, highlighting the interplay between global narratives and domestic priorities in shaping Brazil's climate finance.

One pivotal shift was the reframing of deforestation from a land-use challenge into both a global climate issue and a domestic economic opportunity, particularly through mechanisms like REDD+. This reframing aligned Brazil's interests with global priorities and created pathways to access international climate finance. Similarly, Brazilian narratives around REDD+ emphasised the domestic economic benefits of climate finance, fostering greater alignment between global climate goals and national interests.

The second major discursive shift involved the perception of low-carbon practices, which were initially regarded as costly and impractical. Influential reports such as the Stern Review helped reframe climate action as an economic opportunity rather than a financial burden, influencing Brazilian policy discourse, particularly in the AFOLU sector. This shift highlighted the potential for low-carbon practices to drive economic growth. However, the translation of these discursive shifts into tangible outcomes faced significant challenges. The ABC Plan, introduced in 2010, serves as a clear example. While it emphasised the economic benefits of low-carbon agriculture, its implementation fell short of transformative change. Approximately 98% of the plan's funding was directed to traditional efficiency improvements, such as pasture recovery, rather than more innovative approaches like agroforestry or integrated crop-livestock systems (Carauta et al., 2021; Gianetti & Ferreira Filho, 2021). Entrenched agricultural

priorities and institutional inertia constrained the plan's potential to drive systemic change, illustrating how deep-seated institutional logics can temper the impact of discursive shifts. These moments of reframing also reveal how ideational change interacts with historically entrenched institutional arrangements, a dynamic HI scholars describe as layering, where new interpretive frames are grafted onto existing structures without dismantling them.

A third shift focused on promoting private sector engagement as a critical component of Brazil's climate finance framework. Policymakers increasingly highlighted the need for private investment to complement public funding mechanisms. However, while the rhetoric of private sector engagement gained prominence, its materialisation still lags. Brazil's extensive public finance infrastructure, dominated by state-led mechanisms, continued to overshadow private sector contributions. As a result, public funding mechanisms remained the primary drivers of climate investments, while private finance played a secondary role.

These findings reveal a key limitation of DI: while ideas can reshape narratives and influence preferences, their transformative potential is constrained by entrenched institutional logics. As (Gillard, 2016) notes, the power of discourse depends on the material and institutional contexts within which it operates. Despite these constraints, the reframing of deforestation, low-carbon practices, and private sector engagement contributed to aligning Brazil's climate finance policies with global narratives, illustrating the complex interplay between ideas and institutions in shaping climate finance trajectories.

Political context and institutional vulnerabilities

Brazil's climate finance trajectory also highlights how political discourses shape institutional structures. In the early 2000s, resistance to framing deforestation as a climate issue was deeply rooted in concerns about sovereignty and economic development. As Hochstetler and Viola (2012) note, nationalistic narratives often hinder the adoption of global climate norms, reflecting a scepticism towards international mechanisms perceived as infringing on national autonomy. In Brazil, such narratives influenced perceptions of what constituted a legitimate climate finance agenda, framing deforestation primarily as a domestic land-use issue rather than a global climate challenge. This aligns with Lockwood et al. (2016), who emphasise the power of incumbents - shaped by institutional design and historical legacies - in resisting sustainability transitions.

As international pressure intensified and the economic benefits of reducing deforestation became more apparent - particularly through mechanisms such as REDD+ - political support for sustainable practices began to grow. Under the Lula and Rousseff administrations, deforestation control measures were reframed as opportunities for international collaboration and financial flows, enabling significant reductions in deforestation rates. This aligns with the concept of diffusion, as global incentives like REDD+ created pathways for the integration of international ideas into domestic policies. These shifts illustrate how aligning global and domestic priorities can drive institutional adaptation and policy innovation.

The subsequent weakening of these policies under the Bolsonaro administration, however, demonstrates the fragility of institutional gains in the face of shifting political discourses. Bolsonaro's dismantling of critical climate finance structures, including the Amazon Fund and the Climate Fund, reversed some of the incremental changes achieved in the previous decade. As previous scholars highlight, political shifts can destabilise climate finance systems, particularly when institutional structures are still in flux (Flossmann-Kraus, 2020; Oberthür & Groen, 2018). Brazil's trajectory also reflects a broader tension noted by Peterson and Skovgaard (2019), where political and institutional priorities significantly shape climate finance decisions.

The reversal of earlier institutional gains under the Bolsonaro administration can also be read through the HI mechanism of displacement, in which established governance arrangements are undermined or replaced by alternative institutional logics. Rather than layering new priorities onto existing structures, the administration actively dismantled key components of Brazil's climate governance architecture, suspending the Amazon Fund's steering committees, freezing the Climate Fund, and weakening environmental agencies. Ultimately, Brazil's experience highlights the dual-edged nature of political discourses: while they can drive policy alignment and institutional adaptation when global and domestic priorities converge, they can also destabilise progress when political shifts conflict with previously established commitments.

Feedback loops and the role of international pressure

Civil society advocacy and market pressures played a significant role in shaping Brazil's climate finance evolution. Campaigns such as Greenpeace's soy moratorium effectively communicated the financial and reputational risks associated with continued deforestation, creating feedback loops that encouraged the adoption of more sustainable practices within the

agribusiness sector (Horn, 2023a, 2023b). These efforts exemplify the influence of international and non-state actors in reshaping discourses and generating self-reinforcing mechanisms for institutional change. As Perkins and Nachmany (2019) emphasise, transnational networking initiatives have the ability to foster learning among participants, providing the social and emotional foundations necessary to catalyse domestic policy shifts (Perkins & Nachmany, 2019). This aligns with Betsill and Bulkeley's (2004) assertion that transnational advocacy networks are instrumental in driving climate action by leveraging global norms and market dynamics to influence domestic policies (Betsill & Bulkeley, 2004).

International actors and discourses also played a crucial role in Brazil's climate finance trajectory, not as external impositions but through feedback loops that reinforced or constrained domestic developments. Their influence operated through several interconnected channels. First, material interests and conditionality were important drivers of institutional reinforcement. The Amazon Fund, supported by significant donor contributions from Norway and Germany, stands as a prime example of how external pressure and funding can reinforce domestic policy shifts. As Flossmann-Kraus (2020)'s analysis underscores, such mechanisms of institutional change were effective because international incentives aligned with Brazil's domestic monitoring capacity and political priorities, enabling the diffusion of global norms into national contexts. However, it also created dependency, as shown when donor suspensions during the Bolsonaro administration quickly undermined earlier institutional progress (Flossmann-Kraus, 2020).

Second, market access and value-chain pressures influenced behaviour in the private sector. Transnational campaigns such as the Soy and Beef Moratoria linked access to export markets to environmental performance, changing the cost-benefit balance for agribusiness. For large producers and traders, compliance became a condition for maintaining competitiveness in global markets. These pressures helped legitimise domestic policy changes, including stricter credit restrictions in the Amazon, and provided reformist actors in government and civil society with leverage to advance environmental governance (Horn, 2023a).

Third, normative and technical diffusion circulated through international organisations and financial networks and contributed to institutional adaptation. International organisations and financial networks, including the OECD, UNEP, and the Climate Bonds Initiative, supported the transfer of policy models and standards. The creation of national climate funds and the 2016 Guidelines for Issuing Green Bonds reflected how these global frameworks were adapted

through domestic institutions such as FEBRABAN and BNDES. This process supported the standardisation of practices around transparency metrics, aiming to align Brazil's climate finance governance with international norms.

Fourth, financial market expectations further reinforced these developments. Growing attention to climate-related standards among global investors encouraged Brazilian banks and corporations to strengthen disclosure and environmental risk management. Access to international capital increasingly depended on compliance with these norms (BCB, 2021). However, the dominance of state-owned banks in long-term credit limited the overall scale of this shift, creating a situation where discourse on climate finance advanced faster than actual financial reallocation.

Finally, diplomatic and reputational feedbacks became especially salient after the Paris Agreement. Rising deforestation rates under the Bolsonaro administration prompted reactions from some sovereign investors and donor countries, which started to reframe environmental degradation as both a financial and reputational risk (IPDD, 2022). Norway and Germany suspended contributions to the Amazon Fund, while large institutional investors raised concerns about deforestation-related assets. These developments revealed how Brazil's climate credibility had become closely tied to its domestic governance record, and how reputational capital built through earlier cooperation could be rapidly eroded by political change.

Overall, these channels show that while international pressure has been central to advancing sustainable practices, its effects have depended on the alignment between external incentives and domestic institutional capacities. The most lasting changes occurred when global norms were embedded within national governance frameworks and supported by domestic coalitions.

Interplay between institutions and ideas

The interplay between institutional structures and ideas reveals the bidirectional dynamics central to Brazil's climate finance evolution. For example, institutional structures shaped cognitive limits, constraining the scope of what could be considered preferable within Brazil's climate finance system. The dominance of state-owned banks, such as BNDES and Banco do Brasil, reinforced cognitive frames around public-led financing, limiting the role of private sector engagement and narrowing the range of potential policy instruments to those aligned with public mechanisms, like subsidised rural credit lines under the ABC Plan.

At the same time, ideas played a crucial role in reframing key issues. International discourses, particularly those surrounding REDD+, recast deforestation as both a global climate challenge and a domestic economic opportunity. This reframing enabled the integration of deforestation and the AFOLU sector into Brazil's climate finance agenda, shifting political resistance and opening a window of opportunity for policy change. Over time, deforestation came to be seen not only as an environmental problem but also as an avenue for international collaboration and economic gain, fostering greater alignment between global and domestic priorities.

Ideas also influenced assumptions about the economic viability of climate action. The growing acceptance of low-carbon practices as profitable opportunities, rather than burdensome costs, reflects a broader global discourse that has reshaped policy preferences. However, institutional inertia remained a significant barrier to the materialisation of these shifts, which reflects the broader challenge of overcoming entrenched practices and underscores how institutional inertia can constrain the implementation of innovative ideas, as noted by Jordan and Huitema (2014).

Brazil's climate finance trajectory exemplifies how institutional structures and ideas interact to shape outcomes. This interplay underscores the importance of aligning institutional capacities with evolving ideas to enable systemic change and achieve meaningful progress in climate finance.

The mediating role of material interests

While the preceding analysis has focused on the interplay between institutional structures and ideational shifts, actor interests also played a crucial mediating role throughout Brazil's climate finance trajectory. These interests are understood not as fixed or purely material, but as socially and discursively shaped within institutional settings, influencing which ideas gained traction, how institutions evolved, and why gaps persisted between policy discourse and implementation.

For example, the apparent embrace of sustainability narratives by various actors often reflected contextual reinterpretations rather than full ideational conversion. Agribusiness associations promoted discourses of sustainable intensification that aligned with their established development models and enabled access to ABC funding while minimising disruption to existing practices. The fact that 98% of ABC resources supported conventional efficiency improvements, particularly pasture recovery aimed at productivity gains, illustrates how

interests and ideas coalesced around compatible frames, translating climate policy into forms that reinforced institutional continuity.

Throughout this trajectory, interests mediated the interaction between institutional structures and discursive change. Institutional path dependencies persisted partly because they reflected the priorities of dominant coalitions (e.g. state banks maintaining market share, conventional agriculture accessing subsidised credit, and established land-use models sustaining profitability). Ideas gained traction when they were discursively aligned with these prevailing interests. REDD+, for instance, achieved policy resonance in part because it promised financial returns and reputational benefits to multiple stakeholders, while more transformative visions of sustainable agriculture struggled to gain support precisely because they challenged existing institutional and economic logics.

These dynamics underscore the historically embedded and discursively legitimised nature of interests, complementing HI's insight that institutional persistence often reflects the reproduction of established coalitions and Thelen's (2004) account of incremental, layered change. The gradual adaptation of existing programmes, such as the ABC credit lines, thus represents institutional layering shaped by the selective alignment of ideas and interests, rather than transformative reform. Understanding these patterns requires recognising that climate finance governance is not merely a technical challenge of institutional design or ideational coordination but a political and interpretive process in which actors navigate competing interests, legitimacies, and institutional constraints.

2.7 Conclusion

This paper provides new insights into the domestic dimensions of climate finance by examining Brazil as a key case study. It explores the interplay between institutional structures and ideational shifts, demonstrating that climate finance governance is not simply a product of international financial flows but is actively shaped by national institutions, political dynamics, and discursive contestation. By centering on an emerging economy with significant environmental and economic impacts, this research advances a Global South perspective on climate finance, contributing to ongoing discussions about the need for more context-sensitive analyses (Ha et al., 2016; Wu et al., 2024). Furthermore, it responds to the gaps identified by Pickering and Mitchell (2017) by offering a longitudinal analysis of Brazil's climate finance

trajectory, highlighting the evolving role of institutions and ideas in structuring financial governance.

The findings underscore the dynamic nature of Brazil's climate finance system, identifying phases of resistance, adaptation, and transformation. This supports Peterson and Skovgaard's (2019) argument that national political and institutional contexts fundamentally shape climate finance outcomes. In Brazil, entrenched institutional structures and powerful economic interests - particularly in agribusiness - have played a defining role in influencing the direction and effectiveness of climate finance policies. This aligns with Barnes's (2022) findings on South Africa's Green Climate Fund projects, which illustrate that climate finance governance is not static but emerges through continuous negotiations among stakeholders, evolving political conditions, and shifting material realities (Barnes, 2022). The Brazilian case underscores the importance of tailoring climate finance strategies to national political and institutional contexts, rather than assuming the transferability of global models.

One of the key insights of this paper is the fragility of climate finance governance, particularly its susceptibility to shifts in political leadership and discourse. Brazil's experience exemplifies the challenges highlighted by Oberthür and Groen (2018) regarding the destabilising effects of political transitions on climate governance. The dismantling of institutional gains under the Bolsonaro administration demonstrates how competing narratives around economic development and environmental protection can disrupt climate finance mechanisms. This reinforces Flossmann-Kraus's (2020) argument that institutional resilience is crucial for insulating climate finance from political volatility and ensuring long-term policy continuity.

Moreover, this study highlights the interdependence of global and domestic governance structures in climate finance. While international agreements and mechanisms such as REDD+ create opportunities for global norm diffusion, their effectiveness ultimately hinges on national institutional capacities and political support (Pinsky et al., 2019). The Brazilian case illustrates that aligning international financial flows with domestic governance priorities is essential for ensuring both the scalability and sustainability of climate finance mechanisms.

This study also shows that international drivers, such as transnational market campaigns, investor norms and reputational feedback, act through specific channels that are mediated by Brazil's institutional and discursive landscape. These global pressures reweight domestic coalitions and can unlock new resources, but they remain contingent on robust monitoring

capacity, local ownership of fund governance, and political alignment. In other words, Brazil's climate finance future hinges not only on domestic political will, but also on how effectively external incentives and norms are translated into national systems.

Also, this study's longitudinal analysis reveals that shifts in Brazil's climate finance were neither inevitable nor linear but resulted from specific configurations of institutional capacities, ideational innovations, and interest realignments. Phase transitions occurred when these elements aligned to create windows of opportunity, while implementation gaps emerged when they pulled in different directions. Understanding these dynamics suggests that successful climate finance governance requires not just appropriate institutions or compelling ideas, but the strategic alignment of both with interests that can sustain reform through political cycles.

This paper makes three key contributions to the study of climate finance and institutional change. First, it advances the integration of HI and DI by empirically demonstrating the bidirectional interaction between institutional constraints and ideational shifts. Rather than treating institutions and discourses as separate forces, this study shows how discursive reframing can drive institutional adaptation, while entrenched governance structures simultaneously mediate and limit the scope of transformation. This deepens our understanding of how climate finance trajectories evolve over time within contested governance environments.

Second, this paper contributes to climate finance studies by adopting a longitudinal approach to analysing national climate finance trajectories. This perspective extends the work of Pickering et al. (2017) and Venner et al. (2024), who conceptualise climate finance as an evolving system rather than a fragmented collection of financial instruments and policies. By tracing the evolution of Brazil's climate finance governance over 25 years, this study highlights how financial priorities, institutional arrangements, and policy narratives shift in response to broader political and economic transformations.

Finally, this study has direct implications for climate finance governance, particularly in emerging economies. It identifies a critical gap in the literature: while much attention is given to mobilising financial flows, less emphasis is placed on the durability of institutional frameworks that manage these resources. By demonstrating how climate finance governance remains vulnerable to political shifts and institutional reversals, this paper argues for an

increased focus on adaptive governance mechanisms that can buffer climate finance from political disruptions and ensure long-term resilience.

Despite its contributions, this study also has limitations. While integrating HI and DI provides valuable insights, both approaches tend to underplay the role of power dynamics and conflict in shaping institutional and discursive outcomes. Furthermore, these frameworks provide limited insight into the operational challenges of policy implementation, such as bureaucratic inefficiencies, technical constraints, and capacity shortages. Addressing these gaps would require incorporating complementary perspectives, such as critical institutionalism or political economy approaches, to capture the contested nature of climate finance governance more fully.

Also, this study's focus on institutional structures and ideational shifts reveals much about Brazil's climate finance trajectory, yet the empirical analysis also highlights the critical mediating role of interests. Future research could more systematically examine how interest group politics shapes the translation of ideas into policy and the evolution of institutional arrangements. Understanding these interest-based dynamics is particularly important for designing climate finance mechanisms that can navigate between the need for transformative change and the reality of entrenched economic positions.

More broadly, this research underscores that climate finance transitions are highly context-dependent and continuously evolving. Rather than seeking a definitive explanatory model, future research should embrace the interpretative nature of institutional change, recognising that different theoretical lenses highlight distinct aspects of governance complexity. This study offers meaningful insights into Brazil's climate finance system, but alternative perspectives could further illuminate the intersections of institutions, ideas, and power in shaping climate transitions.

Future research could extend this study's findings by applying the integrated HI and DI framework to other national contexts. Comparative studies across countries with different institutional and political structures could further clarify how domestic contexts influence climate finance policies and governance. Additionally, further research could deepen the analysis of power dynamics, examining how dominant actors - such as agribusiness in Brazil - mediate the interaction between institutional structures and discursive shifts. Finally, longitudinal studies capturing the long-term evolution of climate finance systems could provide valuable insights into how global and domestic forces shape financial trajectories over time.

Such studies would offer critical lessons for policymakers, ensuring that climate finance governance remains resilient and capable of sustaining meaningful climate action.

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3 Understanding climate *finances*: Between shared visions and diverging interests in Brazil

3.1 Abstract

Despite widespread recognition of climate finance as a critical tool for addressing climate change, its definition remains fluid and contested. This paper introduces the concept of climate *finances*, arguing that its pluralised form better captures the diverse, overlapping, and often conflicting ways in which different stakeholders in Brazil interpret and operationalise climate finance. Through an analysis of policy documents and 62 semi-structured interviews with government officials, private sector actors, and civil society representatives, this study develops a framework that maps the interpretive frames, challenges, solutions, and objectives of key actor groups. The findings reveal that while many stakeholders converge on framing climate finance as a strategic opportunity for national development, this shared discourse masks deeper power asymmetries - particularly between profit-driven and justice-oriented perspectives. By understanding climate finance as a boundary object, this paper demonstrates how it functions both as a mechanism of depoliticisation, facilitating cooperation by harmonising divergent interests, and as a site of contestation, where competing narratives reintroduce political struggle into governance processes. This paper advances debates on climate finance governance by demonstrating its interpretive flexibility and the ways actors negotiate its meaning to align with their priorities. In doing so, it underscores the need to critically engage with the competing interests that shape climate finance governance, particularly in emerging economies.

3.2 Introduction

Climate finance comes in the form of a variety of financial instruments such as grants, concessional and non-concessional debt, balance sheet and equity, risk insurance, guarantees, and is generally differentiated between public finance and private finance (Bracking, 2015a, 2015b; Wri et al., 2015). Global climate finance reached approximately USD 1.3 trillion on an annual average in 2021-2022, up from USD 653 billion in 2019-2020, and this growth was largely driven by investments in the renewable energy and transport sectors (CPI, 2023). However, despite these growing financial flows, the definition of climate finance remains highly contested, with ongoing debates in both policy and academic circles over what should and should not be included under this term (Falconer et al., 2014; Weikmans et al., 2020).

While much scholarly attention has been dedicated to debates on global climate finance under the UNFCCC, particularly the need for a robust international accounting framework (Shishlov & Censkowsky, 2022a, 2022b; Weikmans & Roberts, 2019; Weikmans et al., 2020), there has been far less focus on how climate finance is interpreted, contested, and mobilised at the national level. The question of "what counts" as climate finance is indeed relevant. However, it is overshadowed by a more fundamental and unexplored one, which is: how is climate finance fundamentally interpreted at the domestic level?

This paper addresses this gap by introducing the concept of climate *finances* as an analytical lens to capture the multiple, overlapping, and often competing ways in which climate finance is defined and operationalised. Moving beyond the singular, monolithic notion of climate finance, the term climate *finances* reflects the diverse framings employed by various stakeholders - each with distinct priorities, interpretations, and objectives. To examine this phenomenon, I draw on the concept of boundary objects from Science and Technology Studies (STS) (Star, 1989), which provides a useful framework for understanding how contested concepts can serve as both flexible and stabilising reference points across diverse institutional and political contexts. Here, I use climate finance for the shared institutional core and climate *finances* for its heterogeneous enactments in practice.

Using Brazil as a case study, this paper explores how national actors - including government agencies, businesses, and civil society groups - engage with climate finance, negotiating its meanings and applications to align with their respective interests. Brazil is a particularly relevant case given its centrality in global climate politics, especially due to its emissions from

agriculture and land-use change (Soterroni et al., 2023). Through an analysis of 62 semi-structured interviews with key stakeholders, this research reveals that climate finance is not a singular, cohesive mechanism but rather a collection of contested financial practices embedded in broader governance struggles.

This study also shows that while climate finance is interpreted differently across sectors, actors converge on a shared framing of climate finance as a strategic opportunity for national and global development. However, this consensus is often superficial, masking deeper tensions and power asymmetries. For instance, private sector actors prioritise risk mitigation and profit-driven investments, whereas civil society organisations emphasise climate finance's role in addressing social and environmental justice concerns. These diverging interpretations illustrate how climate finances serve both as an arena of cooperation and a site of contestation, where financial governance is shaped by conflicting priorities.

This paper makes three main contributions. First, novel to the literature, it introduces the concept of climate finances to capture the multiplicity of interpretations and contestations surrounding climate finance, building on scholarship that examines the contested nature of environmental governance concepts (Bäckstrand & Lövbrand, 2006; Connelly, 2007; Dimmelmeier, 2023; Haughton & Counsell, 2004). By analysing how different actors strategically reframe climate finance in Brazil, this study provides a novel theoretical tool for unpacking the complexities of the term.

Second, it contributes to the literature on the contested and plural nature of climate finance (e.g. Pickering et al., 2017; Roberts & Weikmans, 2017), by developing a framework that systematically categorises the interpretive frames, diagnoses, solutions, objectives, and challenges articulated by key stakeholders. This mapping contributes to the broader literature by demonstrating how the malleability of climate finances enables both cooperation and contestation within governance structures.

Finally, this study extends Schutter et al. (2021) by demonstrating that climate finances function as both a depoliticising and re-politicising instrument. While boundary objects are often conceptualised as facilitating consensus, this research highlights their dual role: while they help align disparate interests under a common language, they also serve as mechanisms through which actors strategically re-politicise governance by leveraging climate finance to shift institutional priorities and influence policy outcomes.

The paper is organised as follows: Section 2 presents the conceptual framework and introduces the proposition to use boundary object as a lens through which to better understand climate finance. Section 3 presents the methodology; Section 4 offers an empirical overview of what climate finance means in Brazil for each of the actor groups, and outlines the shared framing typically associated with the term; Section 5 identifies and discusses the tensions and commonalities among these actor groups, focusing on how conflicting priorities and the shared framing of climate finance as an opportunity shape its governance; Section 6 discusses the broader implications of the findings, exploring the utility of boundary objects for understanding the politics of climate finance and contributing to existing literature; Section 7 concludes the paper and suggests avenues for future research.

3.3 Conceptual framework: Climate finance as a boundary object

This paper presents a conceptual framework grounded in the concept of boundary objects from STS. I argue that climate finance, similar to other contested concepts in environmental governance, operates as a boundary object. Originally introduced by Star and Griesemer (1989) in the context of scientific collaborations, boundary objects have since been applied across various disciplines to understand cross-community communication and collaboration. A boundary object is defined as an object or concept that holds different meanings or interpretations within different social groups or communities (Star & Griesemer, 1989, p. 387). These objects are adaptable to different viewpoints and robust enough to maintain their identity across diverse groups (Star & Griesemer, 1989, p. 387). This definition highlights that boundary objects serve as interfaces for knowledge integration across various problem-solving contexts (Carlile, 2002, p. 451) and do not require deep sharing to be understood by collaborating parties (Nicolini et al., 2012).

Boundary objects are often crafted to unite diverse interests and facilitate understanding by translating the concept into specific meanings relevant to each group (Fujimura, 1992; Scott et al., 2014). By acting as bridges between different communities, boundary objects enable the sharing of information, coordination of activities, and collaboration despite differences in language, practices, or perspectives (Leigh Star, 2010). They can have different meanings in different contexts, which facilitates negotiation and knowledge exchange without requiring consensus (Caccamo et al., 2022; Parviainen et al., 2022).

Key characteristics of a boundary object include interpretive flexibility, material and organisational structure, adaptability to local needs and constraints, and the creation of shared spaces (Star & Griesemer, 1989). Figure 3.1 below illustrates these four characteristics.

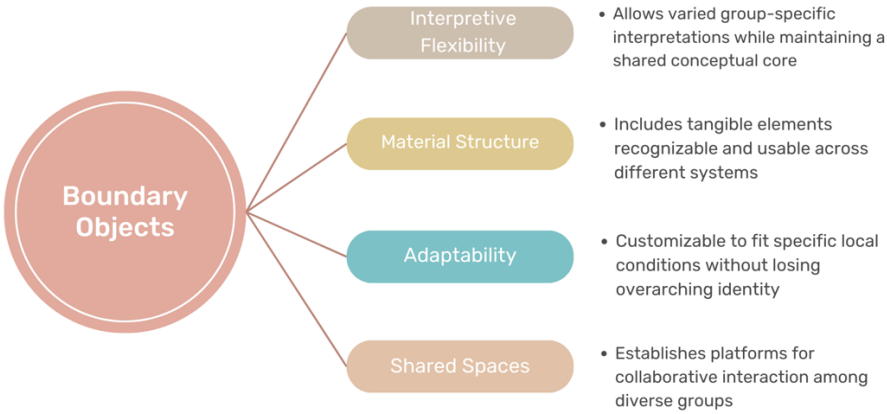

Figure 3-1 Visual representation of boundary object characteristics. Source: Author based on Star and Griesemer (1989)

Boundary objects are not new to environmental governance. Terms such as resilience (Brand & Jax, 2007), ecosystem services (Abson et al., 2014), and green infrastructure (Garmendia et al., 2016) have all served as boundary objects, facilitating collaboration across disciplines and stakeholders. They thrive on their plasticity, which allows them to bridge divides between ecological, social, and economic priorities. For example, resilience, as Brand and Jax (2007) argue, connects ecological, social, and economic domains, enabling collaboration even when stakeholders disagree on specific outcomes. Similarly, ecosystem services, as highlighted by Abson et al. (2014), appeal simultaneously to conservationists and market-oriented actors, allowing the concept to mediate tensions between ecological preservation and economic development.

At the European level, biodiversity and green infrastructure have also functioned as boundary objects, fostering cooperation among policymakers and environmental advocates (Garmendia et al., 2016). However, Garmendia and colleagues caution that the overgeneralisation and strategic ambiguity of these terms can lead to "ecological traps," where the terms fail to deliver transformative change. This is also echoed in the analysis of the Amsterdam Rainproof initiative, which Willems and Giezen (2022) identified as a boundary object in urban water management. The initiative provided a platform for diverse stakeholders to align their

objectives, translating competing priorities into a coherent urban adaptation strategy (Willems & Giezen, 2022).

Also, the term stewardship, as Enqvist et al. (2018) illustrate, provides another example of a boundary object in sustainability research, linking care, knowledge, and agency to foster collaboration across stakeholders with divergent perspectives. This adaptability allows stewardship to connect environmental scientists, policymakers, and local communities in shared sustainability initiatives (Enqvist et al., 2018). Further demonstrating the versatility of boundary objects and more related to climate finance, the Green Climate Fund, as Bruun (2017) discusses, serves as a boundary object in global climate governance, reconciling divergent interpretations among donor countries, recipient countries, and NGOs. While donors may view the fund as a mechanism to fulfil international commitments, recipient countries see it as a critical financial resource, and NGOs advocate for its role in promoting equity and justice (Bruun, 2017).

While much of the existing scholarship highlights the flexibility of boundary objects to bridge divides, fewer studies delve into the political implications of this adaptability, particularly how it may depoliticise contentious trade-offs and perpetuate power asymmetries (Schutter et al., 2021). Schutter et al. (2021) provide a pivotal critique that directly addresses this gap. They demonstrated how the term blue economy aligns diverse and often conflicting agendas, from economic growth to environmental conservation and social equity. Importantly, they argue that this flexibility often perpetuates existing power asymmetries. Their work highlights the dual-edged nature of boundary objects: while they enable collaboration, they can also obscure deeper conflicts and structural inequalities (Schutter et al., 2021).

This paper extends Schutter et al. (2021)'s argument by demonstrating that climate finances are not only depoliticised but also actively politicised within institutional settings. While the blue economy discourse in Seychelles presents a unified vision, climate finance in Brazil reveals a more complex dynamic: rather than simply masking inequalities, different stakeholders - governments, the private sector, and civil society - strategically re-politicise climate finance to align with their interests.

By tracing how various actors contend over definitions, funding mechanisms, and institutional priorities, this study advances debates on the role of boundary objects in climate finance. It shows that, unlike the blue economy's more stable hegemonic framing, climate finances remain

an ongoing site of contestation, where stakeholders deploy competing interpretations to shape policy outcomes and resource allocation. This highlights the need to move beyond the notion of depoliticisation as a singular process and instead recognise how financial governance can be simultaneously stabilised through consensus-building and destabilised through deliberate acts of political reframing.

3.3.1 What kind of object is climate finance?

I approach "object" in the boundary object sense: not a fixed essence but a category that coordinates action across communities despite divergent meanings. On this view, climate finance does not need to possess a unitary definition to function as an object, but it must be recognisable, actionable, and repeatable across settings (Carlile, 2002; Nicolini et al., 2012).

In practice, climate finance exhibits a shared institutional core that supports cross-community coordination. This core comprises, for example, a shared label that organises programmes, budgets, and negotiations; material and organisational anchors (instruments such as grants, concessional loans, guarantees, and green bonds, alongside dedicated facilities and procedures); and calculative practices (eligibility criteria, tagging, and reporting conventions that render activities legible as "climate") (Falconer et al., 2014; Weikmans et al., 2020). This is the sense in which the singular climate finance is used here. Around this core, actors articulate divergent versions of what climate finance should include, prioritise, and achieve, such as differences in scope (what counts), instruments (how), and purposes (to what end). These variations emerge across governmental, market, and civil-society arenas, producing multiple coexisting climate *finances* in the plural.

The boundary object lens thus retains attention to politics and contestation while explaining how coordination occurs under a shared heading. Accordingly, I use climate finance to refer to the shared institutional core, and climate *finances* to denote its heterogeneous enactments. This distinction clarifies how the category can both depoliticise, by enabling coordination through a common language, and repoliticise, when competing interpretations and interests challenge or reshape that common frame.

3.4 The dual nature of climate finance

Building on this, the boundary object lens helps show how the shared core supports coordination, while divergent enactments open space for contestation and, at times, repoliticisation. Such as many boundary objects, climate finance balances between versatility and structure. Its flexibility fosters collaboration by allowing stakeholders to adapt the concept to their own priorities. However, this same adaptability can obscure conflicting interpretations and trade-offs. Much like "sustainable development", a term with deeply political undertones (Connelly, 2007; Haughton & Counsell, 2004; Jacobs, 1995, 1999), climate finance is shaped by competing discourses (Weikmans et al., 2020). As Bäckstrand and Lövbrand (2006) show in their analysis of global environmental governance, contested terms often reflect competing discourses that coexist and collide, shaping both policies and power dynamics (Bäckstrand & Lövbrand, 2006).

At the international level, this contested nature is evident in the ambiguity surrounding key terms such as "additionality" and "concessionality." Stadelmann et al. (2011) emphasise that these terms carry multiple interpretations, complicating accountability and transparency. Falconer et al. (2014) and Weikmans et al. (2020) further explore the ambiguity within the climate finance framework, emphasising how its lack of definitional clarity makes it susceptible to manipulation by different stakeholder groups. This ambiguity, while fostering collaboration, complicates accountability in tracking financial flows and achieving climate goals. Similarly, the absence of consensus on terms such as "loss and damage" further demonstrates how climate finance becomes a focal point for debates over justice and equity (Nature, 2023).

As Gasparini and Tufano (2023) note, the porous and interdisciplinary nature of climate finance reflects the strategic ambiguity employed by stakeholders to advance their varied interests. They also highlight how definitions of climate finance vary across regional and institutional contexts: European scholarship often emphasises financial intermediation (e.g., green monetary policy), while U.S.-based research focuses on asset pricing and market-based solutions (Gasparini & Tufano, 2023). These regional biases underscore the importance of localised analyses, as interpretations of climate finance differ significantly based on political and economic contexts.

Insights from Taeger's (2022) work on environmental risk framing also provide useful parallels. Taeger shows how financial actors frame the environment through the lens of risk, prioritising short-term, measurable goals over broader sustainability objectives (Taeger, 2022). Similarly, climate finance's interpretive flexibility often enables financial actors to emphasise risk mitigation, such as regulatory compliance, while sidelining long-term, equity-focused climate action. This reflects broader critiques, such as Bracking's observation that flexibility in defining climate finance can perpetuate power imbalances and dilute its transformative potential. The flexibility in defining climate finance enables financial institutions to present their efforts as fulfilling global climate commitments while maintaining the status quo of financial allocations (Bracking, 2015a, 2015b). While this work effectively explores the political dimensions of climate finance at the global level, it leaves room to explore how these dynamics play out at the national level, where specific power structures and priorities come into focus.

Perkins (2021) provides another angle by discussing how the flexible standards governing green bonds create what he terms a "lenient zone of qualification." This leniency enables economic growth but risks diluting environmental integrity, raising questions about the effectiveness of climate finance in achieving genuine sustainability. Similarly, Bridge et al. (2020) highlight how carbon finance mechanisms often become sites of boundary disputes due to their pluralistic and problematised interpretations (Bridge et al., 2020).

At the international level, this ambiguity often serves as a strategic tool. Hall (2017) notes that under conditions of heterogeneous preferences, vagueness allows states and institutions to reconcile competing priorities, enabling them to shape definitions in ways that serve their strategic interests (Hall, 2017). For example, powerful actors may reclassify development aid as climate finance or dilute its environmental rigor to align with their priorities (Stadelmann et al., 2011). This flexibility ensures that climate finance remains inclusive enough to engage diverse stakeholders but also risks reinforcing existing power dynamics and sidelining more advanced goals.

By applying the concept of boundary objects, this paper provides a framework for understanding how climate finance operates as both a collaborative platform and a contested space. Through an in-depth examination of Brazil's unique context, it sheds light on the tensions and trade-offs that underpin its implementation.

3.4.1 Boundary objects: when coordination turns into contestation

Within political fields, boundary objects mediate interaction by offering a shared category that different actors can use for their own purposes (Leigh Star, 2010; Star, 1989). Their effects are not fixed. At some moments, the category supports coordination and has a depoliticising effect: actors proceed under a common heading without resolving deeper disagreements. At other moments, the very same category becomes a site of contestation and re-politicisation, as actors use competing interpretations and reopen questions of scope, responsibility, and distribution.

Whether coordination or contestation predominates depends on how ambiguity, institutions and venues are configured. Shared ambiguity allows actors to proceed with programmes, initiatives and reporting without agreeing on everything. Ambiguity becomes contentious only when it is used strategically to widen or narrow eligibility and to shift who counts and who benefits, which invites challenge and defence (Schutter et al., 2021). When instruments and calculative practices (such as grants, concessional loans, guarantees, green bonds, eligibility rules, disclosure) are taken for granted, they stabilise expectations and translate disagreement into routine parameter-setting. By contrast, redesigning, bypassing, or publicly questioning these practices unsettles what had been stabilised and re-introduces political contestation.

The venue of interaction also shapes whether coordination or contestation dominates. In expert and technocratic spaces, disputes are often reframed as technical adjustments, maintaining the appearance of consensus and sustaining coordination (Leigh Star, 2010). As deliberation moves into more plural and visible arenas, such as parliamentary scrutiny, media debates, or multi-stakeholder forums, claims are articulated more explicitly, and the category itself becomes an arena of contestation. These processes are not mutually exclusive: boundary objects can sustain routine coordination in one domain while simultaneously serving as focal points for dispute in another.

In this analysis, I use this logic to interpret how the shared institutional core of climate finance supports coordination, while its heterogeneous enactments provide the levers through which actors contest scope, instruments, and distribution. In doing so, I highlight how discursive strategies and evolving interests intersect within these arenas, shaping when and how coordination turns into contestation. These processes reveal that climate finance's coherence depends less on consensus than on the capacity of actors to continuously negotiate and reinterpret its meaning.

3.5 Methodology

The methodology employed in this study utilises semi-structured interviews and documentary evidence. A total of 62 semi-structured interviews were conducted in Brazil between January and March 2020, targeting key stakeholders involved in climate finance policy and practice in Brazil. Prior experience in climate finance in Brazil helped facilitate this researcher access. I utilised a purposive sampling method, which was initiated by creating a stakeholder group through desk-based research (Bryson, 2004; Patton, 1990). Sampling followed a snowballing approach to connect to as many actors as possible involved in policy and practice around the climate finance in Brazil. Organisations interviewed include national and local government bodies, consulting firms, academic institutions, non-governmental organisations, private sector companies, financial institutions, as well as international organisations and donors operating in Brazil. This broad representation aimed to support a comprehensive view of the climate finance landscape in the country (Appendix C includes a table of dates and informant categories for the interviews). Rather than being determined strictly by predefined selection criteria, the composition of the sample was largely influenced by the accessibility of stakeholders willing to participate. While snowball sampling facilitated broader engagement, it also resulted in the fact that government representatives and NGOs were more prevalent in the dataset. This imbalance was not a deliberate prioritisation of their viewpoints, but rather a reflection of their availability compared to other stakeholder groups.

In my preliminary topic guide, I included a question designed to explore participants' baseline understanding of climate finance: *"Can you share what you [or your organisation] understand as climate finance, and how climate finance relates to your work?"* However, as I began conducting interviews, it quickly became clear that stakeholders held varying and sometimes conflicting interpretations of what climate finance entailed. This realisation prompted me to expand my line of inquiry, incorporating additional questions to further investigate their different perspectives and how they influenced practices and narratives. The interviews were recorded, transcribed, and systematically coded, identifying recurring themes and patterns across sectors and stakeholder groups.

In addition, a compilation and analysis of documentary evidence were undertaken. The documents included government reports, consultancy reports, newspaper articles, press releases, and published research. These sources were used to triangulate interview data, providing contextual insights, validating key claims, and identifying broader trends in climate

finance discourse and policy implementation. Documents were identified through systematic searches of various databases and platforms, including the LSE online library, Google Scholar, Google, the Brazilian Digital Library of Theses and Dissertations (*Biblioteca Digital de Teses e Dissertações* - BDTD), and the CAPES Theses and Dissertations Bank (*Banco de Teses e Dissertações da CAPES*). Search terms were applied in both English and Portuguese to ensure comprehensive coverage. Examples of search terms included "definitions climate finance Brazil", "Brazil climate finance", "interpretations climate finance Brazil", "stakeholders climate finance Brazil," and "Brazilian climate finance policy debates." Among the retrieved documents, priority was given to those explicitly addressing climate finance definitions, stakeholder perspectives, or Brazil-specific policy debates. The search strategy was iterative, allowing refinement of terms and selection criteria as new insights emerged during the analysis process.

Data analysis followed an iterative process to delve into how participants perceived climate finance and the arguments they used to articulate their understanding. Through the coding process, I aimed to identify moments where participants conceptualised and interpreted climate finance, including its mechanisms, strategies, and associated initiatives. Initial codes were guided by constructs and ideas from the boundary objects literature, incorporating sub-codes such as interpretive flexibility, material and organisational structures, adaptability to local needs and constraints, and the creation of shared spaces. A subsequent, empirically grounded round of coding enabled an exploration of how different actor groups in Brazil's climate finance landscape understood and engaged with the concept. This approach aimed to uncover nuanced perspectives, particularly in contexts where climate finance and its related elements were framed in predominantly technical terms.

3.6 What Climate Finance means in Brazil: An empirical overview

3.6.1 Setting the scene: Brazil's climate finance

Brazil, as one of the world's most ecologically diverse and economically significant emerging markets, plays a crucial role in global climate finance discussions (Hochstetler & Viola, 2012). The country is characterised by its vast biodiversity, large-scale agricultural production, and significant renewable energy resources. By capitalising on sustainable agricultural practices, expanding renewable energy production, and enhancing forest conservation efforts, Brazil could position itself as a model for integrating climate finance into broader economic

development strategies (Aamodt, 2015). These initiatives, if supported by robust climate finance mechanisms, could position Brazil at the forefront of global sustainability efforts (Soterroni et al., 2023).

Brazil's approach to climate finance has seen innovative developments from both the public and private sectors, and the country has become a regional leader in issuing green bonds and developing green loans. The country has the largest financial sector and capital market in the region, positioning it uniquely to leverage climate finance for sustainable development (Talanoa, 2024b). Despite its potential, Brazil faces numerous obstacles in mobilising climate finance. The country's economic landscape is marked by disparities in wealth distribution, political instability, and budgetary constraints. These factors complicate the implementation of robust climate finance strategies and create a contested arena where various actor groups – government, private sector, and civil society – navigate their interests and priorities.

3.6.2 Diverse voices from Brazil: government, private sector, and civil society

This section examines the varied interpretations of climate finance among key actor groups in Brazil's climate finance landscape, based on data gathered from interviews and empirical literature. The selected groups - government, private sector, and civil society - represent the primary stakeholders influencing climate-related investments and policies in Brazil. Together, they provide a comprehensive lens through which to understand how climate finance is negotiated and operationalised. However, each group is far from monolithic, encompassing diverse organisations and individuals with differing ideologies, priorities, and approaches.

Within the government, conflicting views on climate finance priorities often emerge among ministries and agencies, reflecting broader political and economic tensions. For instance, while one agency may emphasise international cooperation to mobilise funding, another may prioritise domestic industrial growth over environmental goals. Similarly, the private sector includes a spectrum of actors, from large multinational corporations focused either on market opportunities or risk management – depending on their sector - to small and medium-sised enterprises with specific pressures and regulatory concerns. Civil society is also highly diverse, comprising international NGOs, advocacy groups, and grassroots movements, each championing distinct aspects of social and environmental justice. These differences highlight the complexity of stakeholder dynamics within Brazil's climate finance landscape.

Despite this internal diversity, some overarching patterns and shared frameworks emerge within each group, as indicated by both empirical data and existing literature. For instance, the government's focus on international cooperation - evident in policy documents and interview data - suggests a relatively consistent emphasis on leveraging external funding sources for domestic projects, even if this focus is uneven across ministries. Private sector actors, while diverse in size and strategy, broadly prioritise managing climate risks and capitalising on market opportunities, though the intensity of this focus varies by industry and scale. Civil society actors often unite around calls for transparency and equity in climate finance, yet they may diverge on strategies or priorities based on their organisational scope and target issues.

These observed patterns facilitate the creation of shared frameworks for collaboration, particularly in areas where stakeholder interests align, such as promoting sustainable development and mitigating climate risks. However, it is important to recognise that these commonalities are context-specific and may not translate universally across other countries or regions. Nonetheless, the presence of such shared interests within Brazil's climate finance ecosystem highlights the potential for collaboration and mutual understanding, even amidst significant diversity.

The aim here is not to identify a singular, definitive meaning of 'climate finance' shared across all stakeholders. Instead, this analysis embraces the existence of multiple interpretations, exploring these varied "climate finances" to uncover commonalities and points of convergence. Recognising the legitimacy of each alternative interpretation is essential to understanding how and why they are held and defended. As one participant noted, *"climate finance includes various aspects for different people"* (Interviewee 6). This perspective underscores that climate finance is not a fixed concept but a dynamic and contested one, shaped by the diverse interests, priorities, and discourses of actor groups in Brazil.

Table 3.1 summarises the findings, outlining each group's dominant interpretive frames (overarching perspectives), diagnoses (key problems), solutions (proposed approaches), objectives (desired outcomes), and challenges (perceived obstacles to effective implementation). These findings offer a framework for understanding how climate finance is interpreted and operationalised differently by each group while highlighting areas of overlap and tension.

Table 3-1 Distinctions and commonalities among the three actor groups, based on their interpretive frames, diagnoses, solutions, objectives, and challenges.

Actor group	Key interpretive frames	Diagnoses	Solutions	Objectives	Challenges
Government	National interest	Opportunity to enhance Brazil's global leadership while securing financial resources for national development	Mobilisation of international public finance and strategic climate diplomacy	Strengthen Brazil's role in global climate governance while advancing domestic priorities	Political opposition
	International responsibility	Developed nations have a duty to provide financial support to the Global South	Advocating for concessional finance and equitable financial mechanisms	Secure external funding to support sustainable development	Financial dependency on external commitments
	Economic driver	Need for modernising Brazil's economy, fostering green industrialisation	Mobilising private-sector capital and leveraging international funding	Achieve national climate targets while boosting economic competitiveness	Regulatory uncertainty
Private sector	Business opportunity (mainly for finance, renewable energy, infrastructure)	Uncertainty in climate finance policies and incentives	Investment in green industries	Ensuring returns on investments while being environmentally conscious	Regulatory constraints
	Risk management (mainly for insurance, agriculture, high-carbon industries)	Exposure to climate risks threatens long-term financial stability	Expansion of blended finance mechanisms	Aligning business with societal expectations and environmental values	Misalignment between financial and climate priorities
Civil society	International responsibility	Inequity in distribution	Advocacy & awareness campaigns	Addressing social and environmental justice concerns	Potential misuse of public money to support large corporations
	Social equity and justice	Corporate greenwashing	Mobilisation of international and public resources	Climate finance that addresses social inequality	Limited resources

The following sections elaborate on the nuances within these groups, drawing on interview data and empirical literature to present a detailed analysis of their interpretations, objectives, and challenges.

3.6.2.1 Government

In Brazil, government interpretations of climate finance in Brazil are deeply rooted in historical and institutional contexts, shaped by Brazil's long-standing engagement in international climate negotiations and domestic economic priorities. The framing of climate finance as an international responsibility has its origins in Brazil's participation in the UNFCCC process, particularly the Common but differentiated responsibilities (CBDR) principle, which positions developing countries as recipients of climate finance (Viola & Franchini, 2014). This framing was reinforced during key climate summits such as the Copenhagen Accord (2009) and the Paris Agreement (2015), where Brazil advocated for increased financial commitments from developed nations (Aamodt, 2018).

At the same time, the financial requirements for Brazil to meet its climate goals are substantial. Recent estimates suggest that Brazil will need approximately $200 billion in investment to achieve its 2030 climate targets (WEF, 2023). This underscores the critical role of international support and the effective mobilisation of both public and private resources.

> *"We perceive climate finance as a crucial part of our commitment to the Paris Agreement (...) and the international effort to limit global warming" (Interviewee 20).*

Thus, for the government, climate finance is generally not just a funding mechanism - it is also a diplomatic and strategic tool that can enhance Brazil's global leadership and secure resources for national development. As one interviewee noted,

> *"Climate finance is an international responsibility to assist developing nations in their efforts to combat climate change and its impacts" (Interviewee 27).*

This framing aligns with Brazil's broader strategy in climate diplomacy, where it seeks to leverage international financial mechanisms to support domestic priorities while reinforcing its position as a leading advocate for the Global South. Climate finance thus emerges as the '*mobilisation of public sector resources, including budgetary and potentially non-reimbursable components, for this agenda*' (interviewee 9). Among governmental players, there is a prevalent notion that climate finance '*refers specifically to the funding directed towards climate investments in developing countries*' (interviewee 13).

This government's interpretation of climate finance has also evolved over time, shaped by its changing political landscape and foreign policy priorities. For instance, during Lula's second administration (2007–2011), there was an emerging vision of Brazil as a provider of climate finance to other developing nations through South-South cooperation (Flossmann-Kraus, 2020). This perspective positioned Brazil not only as a recipient but also as a contributor, reinforcing its role as a leader in the Global South's climate efforts. However, political and budget constraints in subsequent administrations reprioritised Brazil's focus on securing international funds for domestic projects, leading to a return to the recipient-country framing.

It is important to recognise that political power dynamics play a critical role in Brazil's approach to international negotiations. Brazil often negotiates as part of larger blocs, such as the BRICS (Brazil, Russia, India, China, and South Africa) or the G77, leveraging collective bargaining power to influence the terms of climate finance and ensure that the interests of developing countries are represented. For example, during the Durban conference in 2011, Brazil supported voluntary commitments but maintained resistance to binding emission reduction targets, aligning with its broader foreign policy of protecting national sovereignty while engaging in global governance (Hochstetler & Viola, 2012). This strategy reflects Brazil's diplomatic approach of balancing global leadership with national development goals, particularly in terms of preserving its forest resources as both a national asset and a global climate priority (Fearnside, 2013).

Beyond its international positioning, the Brazilian government also often frames climate finance as an opportunity to enhance Brazil's global leadership while securing financial resources for national development. This framing of climate finance as a matter of national interest reflects Brazil's strategic approach to leveraging international financial mechanisms not only to meet its climate commitments but also to strengthen its geopolitical influence and economic standing. As noted by one interviewee,

> *"In my view (…), climate finance goes beyond just funding… I guess it's about building capacities (…)"* (interviewee 40).

Government officials frequently emphasise that climate finance should serve national development priorities, enabling investment particularly in sectors such as renewable energy, sustainable agriculture, and green industrialisation. As highlighted by a senior official, *"Securing climate finance can help us transition to a low-carbon economy, creating new industries and jobs that are crucial for our long-term economic stability"* (Interviewee 9).

However, this national interest framing is not without challenges. There is political opposition to reliance on international funding, and concerns over financial dependency on external commitments create tensions in domestic policymaking. While securing external resources is seen as essential, there is an ongoing debate within government institutions about how best to integrate these funds into national strategies without compromising economic sovereignty or policy autonomy.

This challenge is further exacerbated by institutional fragmentation, where different ministries interpret climate finance in conflicting ways, leading to inconsistencies in policy implementation and financial planning. As highlighted by one respondent,

> *"There is still a lack of consensus on how to effectively integrate private capital into the climate finance framework. Different ministries have varying approaches (...), the Ministry of Agriculture is very close to the private sector, which is not true for the Ministry of the Environment (...)"* (Interviewee 55).

Another key framing that emerged in the research highlights climate finance as a market-based mechanism for modernising Brazil's economy and fostering green industrialisation. This interpretation underscores the growing government's expectation that the private sector should take a central role in climate finance. A government representative stated, *"It is impossible that we do this alone… the private sector should be committed to contribute resources to climate finance. It's about taking a leading role in sustainable development"* (Interviewee 7).

Some government officials further reinforced the need for private sector engagement, arguing that businesses must move beyond profit-driven motives and actively contribute to climate solutions.

> *"… the private sector needs to bring their resources for climate finance, they need to step in and show they also care about the issue, and they are not only trying to make money out of the projects"* (interviewee 13).

However, a unified approach to private sector engagement remains absent. While some ministries advocate for stronger financial incentives, others remain sceptical of private-led financing models.

This divergence within the government underscores how climate finance functions as a boundary object - allowing different ministries and agencies to engage with the concept while accommodating their distinct institutional priorities. However, despite serving as a shared

reference point in discussions and policymaking, climate finance encounters significant challenges in bridging competing interests across different governmental bodies.

For instance, while some ministries prioritise securing international concessional finance as part of Brazil's diplomatic strategy, others emphasise climate finance as a tool for economic modernisation, advocating for stronger private sector engagement. As a result, the boundary object of climate finance remains only partially functional - it facilitates dialogue but fails to fully harmonise divergent interpretations within the government.

3.6.2.2 Private sector

The private sector in Brazil generally maintains a more fluid and expansive understanding of climate finance, framed predominantly as a business opportunity or a tool for risk management, depending on sectoral positioning. Financial institutions and renewable energy companies tend to view climate finance as an opportunity for market expansion, while agriculture, extractives, and insurance industries primarily engage with it as a risk mitigation strategy to ensure long-term financial stability.

Private sector actors frequently situate climate finance within the broader domains of green and sustainable finance, often using these terms interchangeably. This broad framing allows businesses to position climate finance as a vehicle for sustainability, encompassing a wide range of projects, from renewable energy and energy efficiency to general sustainability initiatives. However, an important observation from the interviews is that climate finance is often not conceptually separated from the actual business practices it enables. Many companies describe their engagement with climate finance in terms of tangible projects - such as solar farms or sustainable agricultural practices - rather than the financial instruments (e.g. loans, bonds) that facilitate such initiatives. This suggests that, for many private sector actors, climate finance is understood less as a distinct financial mechanism and more as a direct enabler of sustainability-focused business operations.

This perspective is particularly evident in how corporations integrate climate finance into Corporate Social Responsibility (CSR) initiatives. Many companies align climate finance with their broader sustainability commitments, funding projects such as reforestation programs, sustainable sourcing, and energy efficiency improvements (Interviewee 8; Interviewee 18).

These activities aim to demonstrate a broader commitment to sustainability, enhancing corporate reputations (Interviewee 12).

At the same time, other companies engage with climate finance primarily as a risk management tool, particularly in sectors vulnerable to climate change or facing regulatory and reputational risks. For instance, agricultural firms invest in climate finance initiatives to mitigate the impacts of extreme weather on crop yields, ensuring food security and stabilising their supply chains. One interviewee from an agricultural company noted, "*Investing in climate finance helps us manage the risks associated with unpredictable weather patterns and secures our supply chain*" (Interviewee 54). Similarly, industries with high carbon emissions focus on reducing their environmental impact to comply with regulations and improve public perception. A representative from an energy company stated, "*Our climate finance initiatives are crucial for meeting regulatory requirements and maintaining our reputation as an environmentally responsible company*" (Interviewee 12).

In this sense, many private sector actors do not explicitly differentiate between climate finance as a financial mechanism and the sustainability initiatives it enables. Climate finance is frequently framed as synonymous with sustainable business practices, rather than as a distinct financial tool that facilitates them. This blurring of boundaries reinforces the idea that financing directly leads to tangible environmental action, even though, in practice, the relationship between finance and outcomes is often more complex. This broad interpretation of climate finance has significant implications for how businesses engage with the concept. It allows companies to frame their participation in climate finance as evidence of sustainability leadership, even when the financial mechanisms involved (e.g., green bonds, carbon credits) may not always translate directly into on-the-ground environmental impact. A financial sector interviewee noted:

> *"The way we see it, when we invest in green bonds, we are contributing to climate finance and sustainability at the same time." (Interviewee 34)*

This perspective suggests that climate finance is often constructed as inherently beneficial and impactful, even when the financial flows themselves remain detached from actual sustainability outcomes.

The expansive framing of climate finance as part of broader green and sustainable finance also opens pathways for innovation and market competitiveness. Beyond risk management, private

sector actors increasingly recognise climate finance as a mechanism to unlock growth and explore new market opportunities, particularly in renewable energy, energy efficiency, and other green industries. Companies in these sectors view climate finance not only as a source of capital for innovative projects but also as a catalyst for developing new markets. For example, renewable energy firms leverage climate finance to fund solar and wind energy projects, while agricultural firms use it to develop sustainable land use practices that generate carbon credits for sale on carbon markets (Interviewee 54).

However, this interpretive flexibility also leads to significant tensions within the private sector. Disagreements about what should qualify as climate finance often stem from sectoral self-interest. For instance, while some actors advocate for the inclusion of investments in transitional technologies such as natural gas or carbon capture, others argue that such projects dilute the focus on truly green solutions such as renewables and energy efficiency. One interviewee from the renewable energy sector argued, *"Including natural gas under climate finance is counterproductive. We need to focus on truly clean energy solutions like wind and solar"* (Interviewee 12).

Evidence from the interviews indicated that disagreement within the private sector was relatively common. Divergent positions emerged within industry associations, financial institutions, and during consultations on taxonomies and disclosure rules. The intensity of these differences appeared to vary over time: they tended to be less pronounced when policy signals were clear and projects aligned straightforwardly with renewables and energy efficiency, and more acute when eligibility decisions were ambiguous (for example, in cases involving land use, bioenergy, or so-called "transition" activities) or when public funds were used to de-risk private investment.

These differences became particularly visible in discussions about how to classify specific financial products. Several interviewees described recurring tensions inside banks between commercial teams and sustainability units, often requiring long internal negotiations. As one senior risk manager at a large Brazilian bank explained:

> *"We have weekly discussions between the origination teams who want to classify everything possible as green to meet their targets, and our sustainability team (...) Last month we had a two-hour debate about whether a soy farm that promised not to expand into new areas could qualify for our green agriculture fund" (Interviewee 8).*

These internal discussions can be interpreted not merely as procedural or bureaucratic issues but as indicative of broader tensions between short-term commercial pressures and longer-term concerns about transition risk and reputational exposure.

The temporal dimension of these conflicts adds another layer of complexity. Firms with longer investment horizons, particularly pension funds and insurance companies, often advocate for stricter climate finance criteria that account for physical and transition risks over 10-30 year periods. In contrast, commercial banks and private equity funds, operating on 3-5 year cycles, tend to push for more inclusive definitions that maximise near-term opportunities.

Private sector actors frequently diagnose the lack of clear regulations and misalignment with government policies as major barriers to effective engagement in climate finance. The dominant interpretive frame revolves around achieving returns on investment (ROI) while addressing societal expectations for sustainability. Climate finance is seen as a catalyst for exploring new market segments, technologies, and products. Interviewees often mentioned the increasing demand for "sustainable products", and argued that *"(...) embracing climate finance means accessing new capital and enhancing corporate reputation in an increasingly eco-conscious global marketplace"* (Interviewee 12).

Private sector actors frequently expand the boundaries of climate finance to include activities that may only tangentially address climate goals. Usually, climate finance projects span key sectors such as renewable energy, energy efficiency, sustainable agriculture, and sustainable infrastructure projects. By broadening the scope of what is considered climate finance, they effectively expand the range of eligible projects. This includes initiatives such as general infrastructure improvements or corporate social responsibility programs, which often lack clear climate-related objectives. Table 3.2 outlines the key sectors and activities in private sector climate finance in Brazil, highlighting the selective application of the term "climate finance" to initiatives that align with private interests, even when their climate impact is secondary or negligible.

Table 3-2 Key sectors and activities in private sector climate finance in Brazil.

Key sectors	Description	Examples of activities
Renewable energy	Investments in projects that generate energy from renewable sources.	Solar power projects, wind power projects.

Energy efficiency	Investments aimed at reducing energy consumption and improving efficiency.	Building retrofitting, smart grid technologies.
Sustainable agriculture	Investments in practices that promote sustainability and carbon sequestration in agriculture.	Carbon sequestration, sustainable land use practices.
Sustainable infrastructure	Projects aimed at building resilience and reducing the carbon footprint of infrastructure developments.	Green infrastructure, resilient construction projects.

The lack of a unified understanding of what climate finance should encompass reflects the challenges posed by its interpretive flexibility, much like within the government. This flexibility enables diverse actors to engage with the concept but also creates significant tensions. These tensions are particularly evident in debates over the eligibility of certain technologies or practices for climate finance, with some actors advocating for a broader inclusion of transitional technologies while others push for a stricter definition focused on projects such as renewables and energy efficiency. Companies in the renewable energy sector consider investments in solar or wind power projects to be climate finance, given their clear impact on mitigating greenhouse gas emissions. Similarly, those in the energy efficiency sector view investments in building retrofitting or smart grid technologies as part of climate finance, given their potential to reduce energy consumption and associated emissions. Companies in the agriculture sector prioritise investments in carbon sequestration or sustainable land use practices, as these activities can generate carbon credits for sale on carbon markets. Meanwhile, financial institutions prioritise investments in green bonds or other climate-aligned financial instruments, which can appeal to socially responsible investors and offer attractive returns. Their understanding of climate finance usually aligns with their portfolios and risk appetites.

These differing perspectives illustrate the complexity and tensions within the private sector, where financial motivations, environmental goals, and industry-specific needs often clash. The interaction between the private sector and government regulations plays a critical role in shaping climate finance activities. Companies often navigate a complex landscape of policies and regulations that can either incentivise or hinder their climate-related investments. For instance, renewable energy projects are significantly influenced by government policies on subsidies, tax incentives, and renewable energy targets. One interviewee highlighted the importance of a stable and supportive regulatory environment:

> *"Our investments in renewable energy are closely tied to government policies. Stability in regulations and incentives is crucial for us to commit long-term capital"* (Interviewee 12).

Such shifts in government policy tend to influence which aspects of climate finance become more or less attractive to private actors. While some firms see climate finance primarily as a business opportunity and others as a risk management tool, policy changes can direct attention toward specific mechanisms - such as blended finance, carbon markets, or green bonds - without necessarily changing their broader understanding of the term itself.

For example, more recently, much of the private sector's discourse on climate finance revolves around the concept of blended finance, which refers to the use of public funds to mobilise private investment in climate-related projects. It is considered by the private sector as crucial approach for bridging the financing gap by combining concessional finance (such as grants or low-interest loans from governments or international organisations) with commercial finance from private investors (Interviewee 8, Interviewee 34). This blending of resources is intended to reduce risk for private investors and increase the overall pool of available funding for climate action. It forms the centerpiece of the "billions to trillions" narrative, aimed at scaling up private finance to meet the significant climate financing needs (UNCTAD, 2019). Thus, blended finance represents a crucial intersection between the private sector's dual concerns: de-risking climate investments for high-risk industries while also enabling profitable ventures in green markets. By leveraging public funds to absorb financial risks, blended finance mechanisms allow corporations to frame their engagement as both a strategic business move and a risk management tool.

3.6.2.3 Civil society

Civil society groups typically adhere to a narrower, justice-oriented interpretation of climate finance, emphasising its role in addressing inequities and supporting marginalised communities. Often, they view climate finance as the channelling of international or public financial resources to assist developing countries in adapting to the adverse effects of climate change. Much of their efforts are directed towards increased participation in international negotiation processes such as the UNFCCC, the Clean Development Mechanism (CDM), Climate Investment Funds, the Global Environmental Facility, and the Green Climate Fund. For example, globally, Oxfam has actively lobbied for greater transparency and fairness in the

allocation of funds from the Green Climate Fund to ensure that resources reach the most vulnerable communities (Carty & Walsh, 2022).

Civil society's dominant interpretive frame centers on international aid and social equity, reflecting their diagnosis of inequities in the distribution of climate finance. NGOs underscore the urgency of addressing social and environmental justice concerns, interpreting climate finance as an obligation of developed countries to support those most affected by climate change. This focus is evident in their advocacy for adaptation and mitigation projects that provide clear benefits to both the environment and society (Interviewee 5, Interviewee 22, Interviewee 23). As one interviewee clearly puts it, *"climate finance can be the means to empower marginalised communities,and create a more inclusive model of growth for our country"* (Interviewee 22).

This dual focus on social and environmental opportunities distinguishes civil society's objectives. While addressing the adverse effects of climate change on vulnerable populations is a primary goal, the emphasis on social equity is equally prominent. Moreover, by actively participating in international negotiation processes, civil society sees an opportunity to advocate for Brazil's unique challenges and strengths on a global stage.

Environmental NGOs, in particular, are vigilant about the need to impose stricter boundaries around climate finance. They emphasise solutions that focus on transparent and targeted resource mobilisation, aligning with their broader objectives of ensuring accountability and environmental integrity. Greenpeace, for example, has criticised sustainability funds that fail to channel capital into genuinely sustainable projects compared to conventional funds, a practice prevalent in Brazil and globally. Greenpeace has worked alongside other organisations to expose and combat practices that undermine genuine climate action. These efforts include monitoring and reporting illegal deforestation and fires in the Amazon, demonstrating the ongoing challenges and the need for transparent and effective climate finance (Butler, 2021; Greenpeace, 2020).

Civil society actors diagnose the potential misuse of public resources as a key challenge, particularly when funds are directed toward large corporations rather than grassroots projects. Social NGOs, particularly those working with indigenous and local communities, see climate finance as an opportunity not only to address climate vulnerability but also to promote sustainable and inclusive development (Clima&Desenvolvimento, 2022).

The Institute for Socioeconomic Studies (INESC) in Brazil also plays a crucial role in advocating for climate finance that benefits vulnerable populations. INESC has worked on projects that channel funds into community-based adaptation efforts, such as the construction of cisterns in semi-arid regions to ensure water availability during droughts, addressing both social inequality and climate vulnerability (INESC, 2019). As one interviewee emphasised:

> *"To address climate change effectively, it's crucial to recognize that the strategies involved carry both social and environmental repercussions. Thus, one cannot solely focus on cutting emissions without considering the broader implications." (Interviewee 2)*

Challenges related to restrictive conditions and inequitable fund allocation also emerge strongly in civil society narratives. As one interviewee argued,

> *"These financial sources [climate funds] have primarily promoted austerity measures that burden the people. The numerous conditionalities they impose can make it impossible to access funds, but it's important to remember that these resources are intended to cover the costs of an issue for which we [developing countries] bear no responsibility." (Interviewee 5)*

Moreover, civil society actors often have to contend with the political agendas of both donor and recipient countries. This misalignment poses a significant obstacle to achieving their solutions of equitable resource allocation and accountability. Donor countries may prioritise funding projects that align with their own strategic interests, which can sometimes clash with the needs of vulnerable communities in developing countries.

As another interviewee pointed out:

> *"Climate funds should not focus on mobilising climate finance from private sources, this is a role for domestic regulation and not for climate funds." (Interviewee 11)*

From the perspective of Brazilian civil society, particularly among NGOs, blended finance is viewed with skepticism. Despite its appeal as a mechanism to leverage public and private funds for sustainable projects, it is seen as a potential channel for subsidising large corporations that should independently transition to green initiatives. As one interviewee remarked:

> *"It's using government's public money to support big companies that should be doing their own without support. It is not about changing their investment behaviour over time, we need them to change their portfolios away from fossil fuels right now." (Interviewee 5)*

The coexistence of diverse interpretations of climate finance in Brazil underscores its role as a contested yet unifying concept. These interpretations reflect not only the specific interests of each stakeholder group but also broader power dynamics within the governance of climate finance. To understand how these dynamics unfold, it is critical to examine the tensions that arise from conflicting priorities while also exploring the ways in which these stakeholders converge. This duality, as explored in the next section, highlights the political nature of climate finance and its ability to function as a boundary object that bridges divides while obscuring deeper inequalities.

3.7 Climate finances: conflicting priorities and unified framings

3.7.1 Conflicting interpretations

As a boundary object, climate finance allows diverse stakeholders to engage within a shared framework, yet this flexibility also introduces risks when competing logics overshadow its original climate-specific objectives. The contested nature of climate finance in Brazil stems from the tensions between profit-driven, development-oriented, and protection-focused priorities, and this contestation does not occur in abstract but unfolds across specific institutional venues where actors advance their competing framings. Understanding these venues and the coalitions formed within them reveals how the boundary object of climate finance both enables and constrains collective action by shaping who participates, what narratives gain traction, and which forms of knowledge and expertise are recognised as legitimate.

Government actors primarily advance their interpretations through formal diplomatic and policy channels. In UNFCCC preparatory meetings, different ministries attempt to reconcile their varied approaches to establish national positions, though as one participant observed, “everyone comes with their unique definitions, and they all seem to talk past one another” (Interviewee 37). Domestically, agencies like BNDES become sites where the government’s economic development framing gets operationalised through lending criteria, while the Ministry of Environment and Ministry of Agriculture advance different, sometimes conflicting, interpretations of climate finance priorities. As noted by one respondent, “the Ministry of Agriculture is very close to the private sector, which is not true for the Ministry of the Environment” (Interviewee 55), highlighting how different governmental bodies align with different external constituencies.

Private sector actors coordinate primarily through industry associations, though these venues often reveal internal fractures rather than unified positions. The Brazilian Business Council for Sustainable Development (CEBDS) has attempted to create consensus through initiatives like the Vision 2050 Report, which frames climate change as presenting "remarkable business opportunities that integrate sustainability into strategic planning" (CEBDS, 2011, p. 3). However, beneath such broad statements, significant disagreements persist, particularly between renewable energy companies opposing the inclusion of transitional technologies and traditional energy firms advocating for broader definitions (Interviewee 12). These associations enable participation and agenda-setting by translating climate finance into business-friendly language, but they also constrain transformative potential, as consensus is built around the lowest common denominator that preserves existing business models and investment horizons.

Civil society organisations leverage both international and domestic platforms to advance their justice-oriented interpretations. They actively engage with international mechanisms - including the UNFCCC, Clean Development Mechanism, Climate Investment Funds, and Green Climate Fund - to advocate for equitable resource distribution. Domestically, organisations like Instituto Socioambiental (ISA) and Observatório do Clima have been instrumental in shaping initiatives like the Amazon Fund, embedding principles of socio-ambientalismo that merge social justice with environmental protection (Flossmann-Kraus, 2020). These networks enable contestation by amplifying marginalised voices and reframing climate finance as an instrument of social inclusion. Yet their influence remains constrained by asymmetries in access, as their participation often depends on donor support and their capacity to navigate highly technical, finance-oriented policy spaces.

The Brazilian Coalition on Climate, Forests, and Agriculture represents an example of a multi-stakeholder venue where these different interpretations directly encounter one another. While this platform enables cross-sectoral dialogue and has produced joint policy recommendations, it also illuminates the limits of climate finance as a boundary object. The Coalition allows actors to maintain their distinct interpretations while engaging in collective discussions, but fundamental disagreements about scope and purpose often remain unresolved beneath surface-level agreements about climate finance as an "opportunity".

Evidence of coalition formation emerges most clearly when actors face external pressure or shared threats. The 2019 suspension of Amazon Fund contributions by Norway and Germany catalysed an alignment between international donors and Brazilian civil society organisations

against the government's development-focused reinterpretation of the purpose of the fund. This event demonstrated how conflicts over climate finance interpretation can escalate from technical disagreements to institutional crises, with civil society organisations supporting the donors' decision as a necessary response to defend the made of the fund. These moments enable politicisation, transforming latent disagreements into overt institutional confrontation, but they also expose the fragility of coordination when shared meanings are withdrawn.

Conversely, private sector actors have formed tactical coalitions around specific regulatory consultations, though these alignments often prove temporary. During discussions on green bond standards and climate risk disclosure requirements, different private sector factions submitted competing proposals rather than unified industry positions, reflecting the internal tensions discussed earlier. These fragmented responses complicate government efforts to develop coherent policies, as agencies receive contradictory input from business constituencies they might expect to share common interests.

These venue-specific dynamics reveal that climate finance functions differently as a boundary object depending on the institutional context. In multi-stakeholder forums, its flexibility enables participation despite disagreement. In regulatory consultations, this same flexibility becomes a source of paralysis as competing interpretations prevent policy coherence. In international negotiations, climate finance can temporarily unite Brazilian actors against external pressures, and fragment again when returning to domestic implementation debates. Across these venues, the interplay between institutions, ideas, and interests determines whether flexibility produces cooperation or conflict. In this sense, the capacity of climate finance to coordinate action is inseparable from the political tensions it generates.

The remaining of this section explores these tensions, focusing first on the conflicting interpretations of climate finance and then on the shared framing of climate finance as an opportunity for Brazil's future.

3.7.1.1 Profit vs. development vs. protection

In Brazil, climate finance lacks a unified understanding, reflecting tensions among profit-driven, development-oriented, and protection-focused priorities. The private sector's engagement with climate finance in Brazil reveals a strategic utilisation of the concept's inherent vagueness. This flexibility enables private entities to define and frame their activities as climate finance, often broadening its scope to align with profitability and market

opportunities rather than strictly adhering to climate-specific goals like mitigation and adaptation. Moreover, by embedding their activities within the broader and less rigid categories of green or sustainable finance, private sector actors can avoid the stringent requirements often associated with narrowly defined climate finance. This reduced scrutiny enables them to maintain significant flexibility in project implementation, balancing profitability with the appearance of environmental responsibility (Bracking & Leffel, 2021) .

Previous studies have highlighted similar trends in the malleability of climate finance definitions at the international level as well, where climate finance semantics are increasingly influenced by neoliberal benchmarks, showing how these interpretations can be strategically leveraged by different stakeholders to serve their specific needs (Bracking, 2015a, 2015b; Falconer et al., 2014; Weikmans et al., 2020). Fundamentally, scholars have argued that the narrative surrounding climate finance is shifting towards profit-driven logics that often overlook socio-economic and justice-oriented aspects that are central to its original purpose (Bracking & Leffel, 2021). Scholars such as Bridge et al. (2020) and Perkins (2021) have similarly noted how financial logics shape the climate finance field, expanding its boundaries to accommodate private sector interests while potentially leaving critical climate-specific goals out.

Leveraging the interpretive flexibility afforded by climate finance as a boundary object, Brazil's private sector has influenced these boundaries, reshaping climate finance to serve broader green finance agendas that may leave critical climate-specific goals unmet. This profit-driven approach introduces the potential for "greenwashing", where projects are labelled as climate-related without delivering substantive climate benefits. For example, large corporations in renewable energy and agribusiness have rebranded projects to qualify under climate finance criteria. The issuance of green bonds to fund bioenergy projects, such as sugarcane ethanol production, illustrates this trend. While framed as climate-related, these projects often prioritise agricultural productivity and market competitiveness, with limited direct impact on reducing greenhouse gas emissions (Interviewee 38). Similarly, private reforestation initiatives have been criticised for prioritising fast-growing commercial species like eucalyptus over biodiversity restoration, undermining ecological goals while still being classified as climate finance (Mongabay, 2024). Such dynamics reveal how financial logics dominate the discourse, reshaping climate finance to fit investment priorities rather than strict

climate mitigation and adaptation needs. This mirrors Taeger (2022)'s critique, where risk framing facilitates financial integration but dilutes climate-specific objectives (Taeger, 2022).

Another significant area of conflict within Brazil's climate finance landscape emerges from the contrasting interpretations of the government and civil society regarding what climate finance should achieve. The Brazilian government, particularly through institutions such as BNDES, often interprets climate finance as a tool for sustainable economic development, focusing on projects that promote economic growth while addressing environmental concerns. This perspective views climate finance as an opportunity to integrate environmental objectives with national development priorities, such as renewable energy expansion and sustainable agriculture (Torres & Zeidan, 2016).

In contrast, civil society organisations interpret climate finance through a social justice and environmental protection lens, prioritising direct climate action that emphasises deforestation prevention, protection of indigenous lands, and support for vulnerable communities. For these groups, climate finance should be primarily focused on climate mitigation and adaptation, with a strong emphasis on equity and the protection of marginalised groups who are most affected by climate change. Civil society actors such as Instituto Socioambiental (ISA) and Observatório do Clima have consistently argued that funds should be directed toward protecting Brazil's forests and its indigenous populations rather than being absorbed into broader development agendas (Flossmann-Kraus, 2020).

These conflicting interpretations have shaped policy debates and outcomes, particularly in the administration of the Amazon Fund. The government's development-oriented approach has often conflicted with civil society's push for more focused environmental protection. For example, civil society organisations were instrumental in promoting the concept of *socio-ambientalismo* - a framework that merges social justice and environmental sustainability - leading to the initial structuring of the Amazon Fund to prioritise forest preservation and community support (Flossmann-Kraus, 2020; Marcovitch & Pinsky, 2014). However, government actors have frequently redirected these funds toward projects that align more closely with economic development, leading to ongoing tensions and debates (Zadek et al., 2009).

These conflicts reached a peak in 2019 when international donors Norway and Germany suspended their contributions to the Amazon Fund due to rising deforestation rates and

dissatisfaction with the Brazilian government's policies (DW, 2019; Negrão, 2019). This action was supported by civil society groups, who argued that the government's interpretation of climate finance was drifting too far from its original focus on climate mitigation and environmental protection. The suspension of funding by these key donors reflected the friction between a development-focused interpretation of climate finance and a protection-focused interpretation, ultimately influencing the fund's operation and leading to a re-examination of its priorities (Flossmann-Kraus, 2020). Moreover, civil society organisations have played a crucial role in shaping the debate over the purpose of climate finance, often advocating for greater accountability and transparency in how climate funds are allocated. They argue that by prioritising economic development over strict climate action, the government risks diluting the original objectives of climate finance, which should focus on reducing emissions and enhancing climate resilience (Forstater et al., 2013).

3.7.1.2 Internal private sector tensions

While the private sector is often treated as a unified bloc in climate finance discussions, deeper analysis reveals significant fractures that shape Brazil's climate governance landscape. These conflicts extend beyond simple competitive dynamics, reflecting fundamental disagreements about the scope, purpose, and implementation of climate finance. As revealed through interviews with diverse private sector actors, these tensions manifest particularly between industries competing over what qualifies as climate finance, and within financial institutions balancing competing imperatives. These internal conflicts do not merely represent tactical disagreements but constitute struggles over the very definition and boundaries of climate finance.

For example, one visible tension emerges between renewable energy companies and those advocating for transitional technologies. This disagreement over scope is not merely semantic but determines access to subsidised capital and shapes Brazil's energy transition trajectory. Such competing visions reflect the broader challenge of defining climate finance boundaries when different sectors have fundamentally different understandings of what qualifies as climate-aligned investment.

Within financial institutions themselves, tensions often exist between different departments regarding climate finance criteria. As noted in the findings, origination teams prioritising deal flow and short-term returns may favour permissive structures, while risk, compliance and

sustainability teams advocate stricter eligibility and verification to manage transition and reputational risk. This internal fragmentation affects how banks operationalise climate finance, with commercial pressures often conflicting with sustainability commitments.

These internal conflicts complicate climate finance's function as a boundary object within the private sector. The evidence suggests that while different private sector actors can engage with the concept of climate finance, they do so from different positions, with some viewing it as a business opportunity requiring broad definitions, while others see it as a risk management tool requiring strict criteria. The resulting tensions, visible in debates over natural gas inclusion and in conflicts between bank departments over eligibility standards, indicate that climate finance's interpretive flexibility may enable participation in discussions but does not necessarily facilitate consensus or coordinated action within the private sector itself.

3.7.1.3 Conflicts in flexibility

Viewing climate finance through the lens of boundary objects (Leigh Star, 2010), we see that its flexibility enables collaboration across diverse groups, yet introduces risks when financial and economic logics overshadow core climate goals. This interpretive flexibility allows the government, private sector, and civil society to work within a shared framework, but it also creates fragmentation when essential objectives, such as emissions reduction, are compromised.

As a boundary object, climate finance remains a versatile yet contested tool: adaptable to various agendas but prone to fragmentation when its core climate-specific objectives are overshadowed by broader goals. Table 3.3 below illustrates the various ways in which climate finance functions as a boundary object in the context of different stakeholders.

Table 3-3 Aligning key characteristics of boundary objects with climate finance.

Characteristic (Star & Griesemer, 1989)	Climate finance example
Interpretive flexibility	Climate finance is interpreted in different ways by stakeholders depending on their interests and roles. In Brazil, for example, the government frames it as a tool for international cooperation or national economic development, the private sector views it through the lens of investment

	opportunity or risk mitigation, and civil society emphasises justice and accountability. Despite these differences, there is a basic shared understanding of directing funds to climate-related projects and initiatives, allowing for dialogue.
Material/organisational structure	Anchored in financial tools like grants, loans, and green bonds, providing a tangible structure for collaboration and negotiation at both national and international levels.
Adaptability to local needs and constraints	Climate finance mechanisms can be operationally adapted to address context-specific realities, such as institutional capacity, local priorities, and socio-economic conditions. In Brazil, this includes supporting finance flows that align with national development goals, supporting green private sector initiatives, and incorporating equity considerations raised by civil society. This adaptability enhances effectiveness and ownership at the local level.
Creation of shared spaces	Forms a shared platform for collaboration among various actors through international funds and regulatory frameworks. In Brazil, this includes forums like the UNFCCC and national platforms like the Brazilian Coalition on Climate, Forests, and Agriculture, where government, private sector, and civil society actors converge to discuss and shape climate finance strategies.

3.7.2 Converging on opportunity

At the same time, Brazil's case study illuminates how diverse groups converge around a broad understanding of climate finance as a national opportunity. While each actor group - government, private sector, and civil society - maintains unique interpretations and priorities, climate finance was frequently framed as an 'opportunity' for Brazil's future. As one interviewee put it,

> *"In the preparatory meetings for UNFCCC, it's fascinating to see how each time it [climate finance] is brought up, everyone comes with their unique definitions, and they all seem to talk past one another. The*

> *conversation seems endless, and everyone tries to make their point […] and yet people still hold onto their distinct specific perspectives… but eventually we reach the stage of determining national priorities." (interviewee 37)*

The argument that climate finance represents an 'opportunity' resonated prominently in interviews, with interviewees often alluding to sentiments like *"Climate finance is not just about money, it's an investment in our future*," (Interviewee 18), *"(…) Tapping into these funds can propel Brazil into a greener era"* (Interviewee 3), and *"By leveraging climate finance, we are setting the stage for sustainable growth (…)"* (Interviewee 7) to underscore its potential as a transformative force for Brazil's sustainable future.

The National Climate Change Plan also states that climate change represents a *"concrete opportunity to foster economic growth, generate income, and promote regional development"* (MMA, 2008, p. 114). This idea is also clearly stated in the "Vision 2050 Report: a new agenda for businesses", developed by the Brazilian Business Council for Sustainable Development (CEBDS). The report emphasises that *"the required changes are both feasible and essential, presenting remarkable business opportunities that integrate sustainability into strategic planning"* (CEBDS, 2011, p. 3).

These various views on opportunity exemplify the oscillation between the abstract and the specific (i.e. opportunity for *what or who?*) that Star (2010) outlines. Interestingly, this variability is not contentious because no obvious conflict regarding "opportunity" arises. In other words, it seems that the overarching consensus around 'opportunity' masks the underlying disparities. Much like (Schutter et al., 2021) observed regarding the blue economy, the ambiguity has allowed the illusion of universal financial benefit to persist, obscuring trade-offs and perpetuating the notion that climate finance offers something for everyone.

However, the collective understanding around climate finance as an opportunity might suggest less about mutual comprehension and more about a superficial reconciliation of profound differences – a definitional characteristic of a boundary object. This means that in the heterogeneous world of climate finance, the vague term 'opportunity' allows actors to come to consensus on the opportunity that climate finance presents for the country without grappling with their different meanings.

The critical question here is 'opportunity for whom?'. While all actor groups agree on the broad potential of climate finance, their specific interpretations likely differ based on their interests.

While there is a superficial consensus around the term ‘opportunity’, the underlying motives and expected outcomes diverge significantly across different sectors, reflecting deeper power dynamics and potential inequalities in how benefits are distributed. For instance, the government sees it as an opportunity for national development and achieving climate targets. This approach, however, may marginalize smaller, community-focused projects that are less visible. The private sector, viewing climate finance as a means to secure returns on investments, tends to prioritise profitable sectors. Meanwhile, civil society views climate finance as a path to social equity and environmental justice, but their influence in decision-making processes is often limited. Civil society’s focus on social equity often clashes with the more profit-driven motives of the private sector and the development-oriented goals of the government.

This dynamic highlights the dual-edged nature of climate finance as a boundary object. On one hand, its flexibility allows for the integration of diverse viewpoints, fostering inclusive dialogues among government entities, private sector players, and civil society organizations. For instance, the Brazilian Coalition on Climate, Forests, and Agriculture provides a shared space where stakeholders from different sectors collaborate on climate finance strategies, leading to cross-sectoral policy recommendations and private-sector commitments to sustainability (see Chapter 2). However, this multiplicity of interpretations can also lead to fragmentation and misalignment of priorities, complicating the implementation of cohesive policies and funding mechanisms. A key example of this is the Amazon Fund, where tensions between international donors, the federal government, and local organisations have created delays in fund disbursement and competing priorities over how the resources should be allocated (see Chapter 2). This illustrates how, while climate finance fosters dialogue and engagement, its broad and contested nature can also sometimes impede effective policy coordination and implementation.

Therefore, ‘opportunity’ provides an example of a shared discursive framing. While each actor group’s specifics and desired outcomes might differ, all agree that climate finance can, and should, be harnessed to create a better future – either for the country, the society or for their organisation. This consensus offers a platform for collaborative action. However, for this collaboration to be effective, it is crucial to address the underlying power dynamics and ensure that all voices are heard.

Figure 3.2 visually captures these dynamics, illustrating how each actor group - government, private sector, and civil society - frames climate finance within their distinct interpretive lens, while also converging on the unifying vision of 'opportunity'.

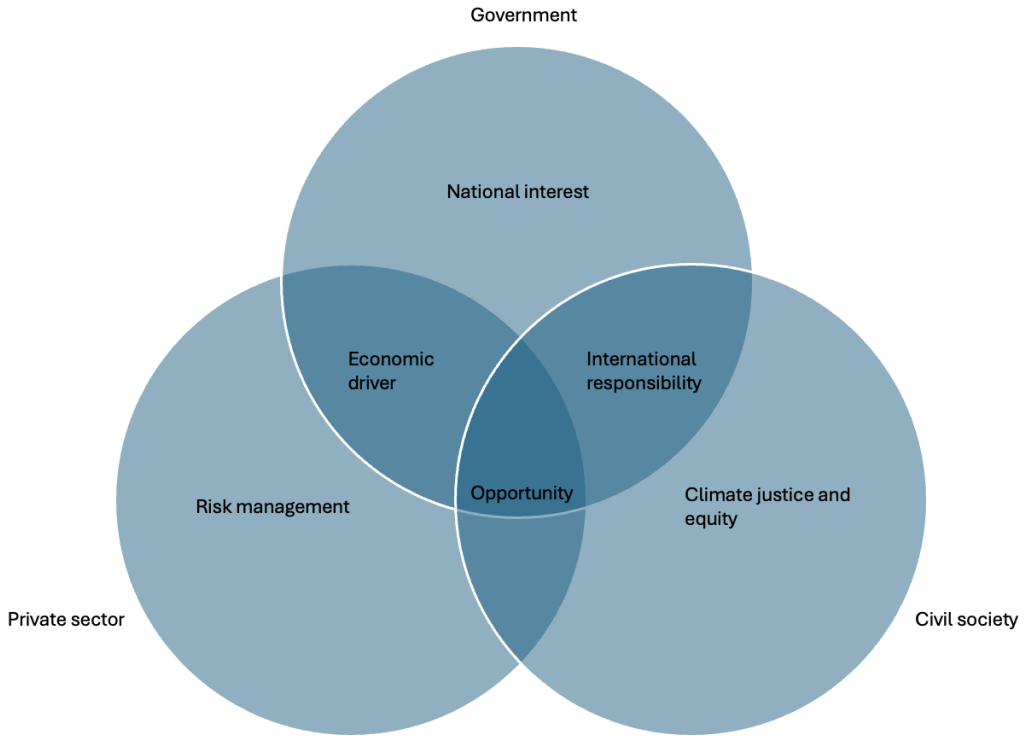

Figure 3-2 Interpretative frames of climate finance by actor groups and the unifying vision of opportunity. Source: Author

The diagram underscores how the term "opportunity" accommodates diverse interpretations while facilitating collaboration. For the government, climate finance is an opportunity for national development, diplomacy, and meeting climate targets. The private sector focuses on profitability and market expansion, leveraging climate finance as a business tool. Meanwhile, civil society emphasizes the transformative potential of climate finance to address social inequities and environmental justice.

I argue that the private sector, with its considerable resources and influence, may have played a more significant role in shaping this narrative. For instance, by emphasising the profitability and business growth potential associated with climate finance, private sector actors have successfully aligned their interests with broader national and global climate goals, thus framing climate finance in a way that supports their agendas. This could suggest that the shared

understanding of climate finance as an opportunity is not entirely organic but rather a result of strategic positioning by more powerful actors.

Non-governmental organisations, on the other hand, may find themselves in a more reactive position within this framing. While they also view climate finance as an opportunity, their focus on social equity and environmental justice may not always align with the profit-driven motives of the private sector or the development-focused goals of the government. This raises important questions: are CSOs genuinely content with this shared framing, or do they accept it as a pragmatic compromise to advance their objectives within the constraints imposed by more dominant players? For example, while non-governmental organisations might support the overall goal of accessing climate finance, they may be more critical of how these funds are distributed and the extent to which they address the needs of vulnerable populations.

The framing of climate finance as an "opportunity" also operates as a classic mechanism of depoliticisation (Leigh Star, 2010; Okereke et al., 2009; Swyngedouw, 2011). By emphasising its transformative potential, stakeholders bypass contentious debates over who benefits and who bears the costs. This framing is effective because it shifts attention away from fundamental power imbalances, trade-offs, and the structural inequities that influence how climate finance is accessed, allocated, and utilised. Instead of directly confronting disparities, the notion of "opportunity" promotes a vision of inclusivity and mutual benefit that might be appealing but is ambiguous.

This divergence suggests that while the umbrella of opportunity allows for a degree of collaboration and shared discourse, it may still obscure deeper conflicts and inequalities in the distribution of climate finance benefits. Specifically, it suggests that the boundary object - climate finance - functions effectively in allowing diverse groups to engage in shared discourse and collaboration. However, its ability to serve as a unifying concept also comes with limitations. The fact that the boundary object may obscure deeper conflicts indicates that the consensus it creates might be more superficial than substantive. The boundary object's capacity to accommodate diverse perspectives might also make it vulnerable to fragmentation. If the underlying conflicts and inequalities are not adequately addressed, the shared discourse might break down when stakeholders realise that their core interests are not being met.

3.8 Discussion

By examining stakeholder interpretations of climate finance in Brazil, this study answers the research question: *How is climate finance interpreted and contested in Brazil?* The findings demonstrate that climate finance is not a singular or universally accepted concept, but rather a plural, contested, and strategically employed term - captured through the concept of climate *finances*. The findings reveal that climate finance is interpreted through three dominant frames within the government - as an international responsibility, a national interest, and an economic driver - while the private sector primarily views climate finance as a business opportunity or a risk management tool, and civil society actors emphasise justice-oriented and redistributive concerns.

I show that the struggle over what constitutes climate finance is inherently political, shaping whose interests are prioritised in governance decisions. The private sector has expanded the boundaries of climate finance, embedding it within broader green and sustainable finance frameworks, often emphasising return on investment over social or environmental justice concerns (Interviewee 34). By contrast, civil society organisations advocate for a more redistributive definition, seeking to ensure that climate finance supports grassroots adaptation projects and marginalised communities. However, their influence over how climate finance is defined and allocated remains limited. While civil society actors participate in climate finance discussions, they struggle to influence decision-making processes in a way that aligns with their justice-oriented objectives (Interviewee 5). For example, while civil society groups were instrumental in shaping the Amazon Fund's initial governance framework, they have struggled to prevent its appropriation for large-scale development projects rather than direct community support (Flossmann-Kraus, 2020).

The findings demonstrate that climate finance operates as a boundary object, allowing diverse actors to engage in governance discussions despite conflicting interpretations (Star & Griesemer, 1989). This interpretive flexibility facilitates coordination but also obscures deeper tensions over distributional outcomes. On one hand, this flexibility creates a platform for collaboration - for instance, through multi-stakeholder forums such as the Brazilian Coalition on Climate, Forests, and Agriculture, which brings together government agencies, businesses, and NGOs to align climate finance strategies. On the other hand, this same flexibility can depoliticise critical issues, particularly when it allows powerful actors to define climate finance in ways that reinforce existing inequalities. Private sector actors, for example, use broad

interpretations to justify profit-driven activities as climate finance, potentially undermining more ambitious climate policies. This aligns with Bäckstrand and Lövbrand's (2006) critique of ecological modernisation, where economic imperatives frequently overshadow justice-oriented concerns.

At the same time, the findings indicate that climate finance is not entirely depoliticised. Civil society actors often contest dominant interpretations, attempting to reframe climate finance in ways that emphasise equity and accountability. For instance, NGOs have successfully advocated for increased transparency in green bond issuances, pushing for more rigorous disclosure requirements to prevent greenwashing (Interviewee 11). However, these efforts often encounter structural constraints, as the private sector continue to dominate agenda-setting processes.

Private sector-led climate finance mechanisms - such as green bonds, carbon markets, and blended finance - are increasingly shaping how climate finance is operationalised in Brazil. Financial institutions and agribusinesses actively engage in these mechanisms, framing them as solutions for scaling up climate investment. However, civil society actors argue that these financial instruments tend to prioritise large-scale infrastructure and corporate-led projects, often at the expense of more localised, community-based adaptation initiatives (Interviewee 11).

One area of contention is blended finance, which is designed to mobilise private capital by using public funds to lower investment risks. Civil society organisations express concern that these mechanisms primarily serve to de-risk corporate investments, rather than ensuring equitable climate action (Interviewee 5). As one interviewee stated:

> *"Blended finance is public money subsidizing private ventures. It should be funding adaptation, not securing returns for financial markets."* (Interviewee 5)

This critique reflects broader concerns that market-based climate finance governance may prioritise financial viability over distributive justice (Bracking, 2015a, 2015b). However, the findings do not suggest that the private sector have fully captured climate finance governance. Instead, negotiations between commercial, governmental, and civil society actors continue to shape its trajectory, reflecting an ongoing struggle (see Chapter 2).

Without the boundary object concept, several critical insights from this study would be lost. This concept is particularly valuable for understanding how climate finance functions both as a tool for collaboration and as a site of conflict, shaping governance interactions among different stakeholders in Brazil. It explains how actors - from government institutions to private sector players and civil society groups - navigate, contest, and redefine climate finance to advance their distinct priorities.

By extending Weikmans et al. (2020), this study highlights not only the urgency of defining climate finance but also the political stakes involved in doing so. The definitional struggle is not just about technical precision - it is about who gets to decide what counts as climate finance, who benefits from its expansion, and whose priorities are sidelined. Rather than a mere policy gap, the absence of a clear definition reflects deeper structural tensions that shape control over climate finance and its mobilisation.

3.9 Conclusion

Despite more than three decades of climate negotiations, a universally accepted definition of climate finance remains elusive. This paper has argued that this definitional ambiguity is not merely a technical or linguistic challenge but a reflection of the political dynamics shaping climate finance. By introducing the concept of climate *finances* and understanding it as a boundary object, this paper provides a new analytical lens to examine how climate finance's flexibility facilitates stakeholder engagement while simultaneously concealing deeper power asymmetries. The findings reveal that actors strategically mobilise climate finances to advance competing agendas - whether governments seeking international funding, private sector actors prioritising investment returns and risk mitigation, or civil society advocating for equity and justice-oriented resource distribution.

The concept of boundary objects proves particularly useful in explaining the dual nature of climate finance. On one hand, its interpretive flexibility fosters collaboration, allowing government institutions, private actors, and civil society to negotiate shared meanings while maintaining their distinct interests. On the other hand, this same flexibility enables dominant actors - particularly in the private sector - to shape climate finance discourse in ways that align with market-driven priorities while marginalising justice-oriented concerns.

This duality reinforces recent scholarship on boundary objects as both stabilising mechanisms and sites of contestation (Caccamo et al., 2022; Willems & Giezen, 2022). The findings demonstrate this by showing how Brazil's government shifts between framing climate finance as an international responsibility in multilateral negotiations and as a domestic economic driver, while private sector actors strategically broaden its scope to align with blended finance, risk management, and green investment strategies. Meanwhile, civil society actors often struggle to challenge these dominant interpretations, as their justice-oriented perspectives are structurally marginalised within governance frameworks.

This paper makes three key contributions. First, it introduces the concept of climate *finances* as an analytical lens to capture the multiple, overlapping, and often competing ways in which climate finance is defined and operationalised. This novel approach builds on previous studies on contested environmental governance concepts (Bäckstrand & Lövbrand, 2006; Connelly, 2007; Dimmelmeier, 2023; Haughton & Counsell, 2004), by empirically demonstrating how diverse actors negotiate, reframe, and deploy climate finance in ways that align with their respective agendas.

Second, this paper develops a framework that systematically maps the interpretive frames, problem diagnoses, proposed solutions, objectives, and challenges articulated by key stakeholders. By doing so, it contributes to ongoing debates on the contested nature of climate finance, highlighting how definitional ambiguity not only complicates accountability but also shapes governance structures and power dynamics within national contexts.

Finally, this study advances the application of boundary object theory to climate finance by extending Schutter et al. (2021). It demonstrates that climate finance operates not only as a mechanism of depoliticisation - harmonising conflicting interests under the shared notion of "opportunity" - but also as a site of re-politicisation, where contestation over justice, equity, and power distribution resurfaces. By emphasising that climate finance is not merely a technical tool but an active force shaping institutional priorities and policy decisions, this study underscores its role in structuring financial flows and determining whose interests are prioritised in governance frameworks.

Future research should further explore the applicability of boundary object theory in other national and regional contexts, where distinct political, economic, and institutional dynamics may yield different insights into the governance of climate finance. Additionally, as climate

finance becomes increasingly integrated with broader green and sustainable finance frameworks, further studies should assess the long-term implications of this convergence, particularly in relation to its effectiveness in addressing climate-specific goals. Strengthening definitions, accountability mechanisms, and equity considerations will be essential to ensuring that climate finance not only facilitates investment but also serves as a genuine driver of just climate transitions.

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4 Beyond financing: BNDES and institutional change in Brazil's climate finance

4.1 Abstract

This paper examines the role of National Development Banks (NDBs) in advancing climate finance and facilitating field-level change, using the Brazilian Development Bank (BNDES) as a case study. Moving beyond the conventional focus on capital mobilisation, this study extends Zhang (2022) and positions NDBs as not only key financial actors but also as critical agents of institutional work. Through enabling, embedding, educating, and legitimising efforts, BNDES engages in reshaping Brazil's financial landscape to address climate imperatives. The paper conceptualises field-level change as occurring within the broader field of finance, with climate finance representing an emerging institutional logic that challenges and reorients established norms and practices. Employing a conceptual framework that integrates institutional work (Lawrence & Suddaby, 2006) and field-level transformation (Hoffman, 1999), the study highlights BNDES's role in mitigating risk perceptions, addressing knowledge gaps, and fostering public-private collaboration. However, it also reveals the bank's limitations, including its reliance on project-level interventions and vulnerability to political volatility, which constrain broader systemic transformation. Building on prior research that investigates change and coordination in financial systems (Culpepper, 2005; Dumas & Louche, 2016; Juravle & Lewis, 2008), this study demonstrates how institutional pluralism at the field level and institutional complexity at the organisational level moderate macro-level change (Micelotta et al., 2017). It argues for a more holistic and coordinated approach to climate finance, emphasising the need for sustained, multi-actor collaboration to foster long-term systemic transformation.

4.1.1 **Introduction**

Climate finance has emerged as a critical mechanism to support global efforts in addressing climate change, channeling financial resources toward mitigation and adaptation initiatives. National Development Banks (NDBs) have played a central role in this landscape, leveraging their development mandates to facilitate climate-related investments and mobilise private sector participation (Yindenaba Abor, 2023). Existing literature highlights the importance of NDBs in enabling climate finance through capital mobilisation, risk mitigation, and the creation of blended finance mechanisms (Griffith-Jones et al., 2020; Griffith-Jones & Ocampo, 2018; Smallridge et al., 2012; Trabacchi et al., 2017).

However, while these contributions are widely acknowledged, there is a significant gap in understanding how NDBs navigate systemic barriers to climate finance, particularly in emerging markets (Zhang, 2022). Limited attention has been paid to the role of NDBs in fostering broader institutional transformation within financial systems - an essential component of embedding climate-aligned practices and driving systemic change. This paper addresses this gap by exploring how NDBs contribute to institutional change and field-level transformation, using the Brazilian Development Bank (BNDES) as a case study.

This paper conceptualises finance as the relevant institutional field, which is here defined as the structured set of actors, logics, norms, and instruments that shape the allocation of capital in Brazil. Within this field, climate finance is not treated as a fully separate domain, but rather as an emerging institutional logic that seeks to redirect financial flows toward climate mitigation and adaptation objectives. As this new logic gains influence, it introduces new standards (such as ESG criteria and sustainability taxonomies), institutional actors (including climate funds), and instruments (e.g., green bonds, climate-linked credit lines). The paper explores field-level change as the process through which climate-oriented practices become more institutionalised within mainstream financial structures, with BNDES serving as a key actor in enabling and responding to this transformation. The empirical focus is thus the reorientation of an incumbent finance field toward climate objectives.

BNDES, one of the largest development banks globally, serves as a crucial actor in Brazil's economic landscape, managing assets equivalent to approximately 12% of the country's GDP (Morris, 2018). Its extensive operations, including its role as the manager of the National Climate Fund and the Amazon Fund, position it as a central player in Brazil's climate finance

(Talanoa, 2024b). This paper moves beyond framing BNDES as a financial intermediary and instead positions it as an institution actively engaged in institutional work - shaping norms, structures, and governance mechanisms that influence climate finance.

To explore these dynamics, this paper integrates institutional work (Lawrence & Suddaby, 2006) and field-level transformation (Hoffman, 1999) as a conceptual framework. This approach maps the mechanisms through which micro-level institutional actions - such as enabling investment, embedding norms, educating stakeholders, and legitimising practices - contribute to (and are constrained within) macro-level systemic change. Through this lens, the study examines how BNDES navigates entrenched institutional logics, political volatility, and power dynamics to foster conditions for climate-aligned investments.

The findings reveal both the successes and limitations of BNDES's institutional work. The bank has played a crucial role in addressing barriers such as risk perceptions and knowledge gaps, fostering greater alignment between financial practices and climate priorities. In doing so, BNDES demonstrates how NDBs can actively shape financial ecosystems beyond their traditional role as capital providers and intermediaries. However, its reliance on project-level interventions and vulnerability to political volatility limit its capacity to drive systemic, economy-wide transformation. Building on research that emphasises the challenges of transforming deeply embedded structures within financial systems (Culpepper, 2005; Dumas & Louche, 2016; Juravle & Lewis, 2008), this study extends these insights by mapping the mechanisms through which institutional pluralism at the field level and institutional complexity at the organisational level mediate the effects of macro-level shifts changes (Micelotta et al., 2017).

This paper makes contributions across theoretical, empirical, and practical dimensions. Theoretically, it extends Zhang's (2022) research by moving beyond the role of NDBs as policy coordinators to conceptualising them as institutional actors actively contributing to field-level transformation. While Zhang (2022) highlights how NDBs align climate finance policies with market realities, this paper demonstrates both their enabling potential and inherent limitations within structurally constrained environments. By bridging institutional work and field-level transformation, this research challenges linear assumptions of institutional change and highlights why incremental efforts do not always translate into systemic transformation without sustained, multi-actor coordination.

Empirically, while prior studies have largely examined NDBs through their financial and operational functions (e.g. Griffith-Jones & Ocampo, 2018; Smallridge et al., 2012; Trabacchi et al., 2017), this research reframes them as agents of institutional change in emerging markets. By doing so, this paper provides a more comprehensive perspective on how development banks navigate institutional complexity to advance climate finance.

Finally, this paper builds on Hoffman's (1999) argument that systemic transformation requires coordinated, multi-level actions, underscoring the need for collective strategies to amplify the incremental progress facilitated by institutions like BNDES. Rather than advocating for isolated institutional reforms, it calls for a more integrated approach to climate finance, emphasising collaboration among public, private, and regulatory actors to overcome entrenched barriers and drive long-term transformation.

The remainder of the paper is structured as follows: Section 2 provides an overview of the role of national development banks in climate finance and introduces the case of BNDES, including its institutional architecture and governance. Section 3 outlines the conceptual framework linking institutional work to field-level transformation. Section 4 details the methodology. Section 5 presents empirical findings on BNDES's institutional work and Section 6 links institutional work to systemic shifts in Brazil's climate finance system. Section 7 discusses the broader implications and limitations of BNDES's approach, and Section 8 concludes with reflections on theoretical and practical contributions.

4.2 The role of national development banks in climate finance

NDBs have long been pivotal in shaping national economic trajectories, particularly through financing infrastructure, energy projects, and other investments with broad societal benefits that often go beyond direct profitability (Attridge et al., 2023). Unlike Multilateral Development Banks (MDBs), which have an international mandate and governance structure involving multiple countries, NDBs operate with a governance structure that is firmly grounded within their home countries (Sierra & Hochstetler, 2017). They are usually directed by the executive branch of the national government, which appoints the board members and often establishes the bank's mandate and strategic priorities.

A well-documented feature of NDBs is their countercyclical role in providing capital during economic downturns or when private finance is scarce (Griffith-Jones & Ocampo, 2018).

Smallridge et al. (2012) highlight how this role allows NDBs to support renewable energy infrastructure, energy efficiency projects, and climate-resilient agriculture in emerging markets, where risks are often too high for private investors contexts (Smallridge et al., 2012). Scholars have also highlighted their instrumental role in mobilising climate finance, deploying financial mechanisms like concessional loans and blended finance models that combine public and private resources (Bhandary, 2022; Smallridge et al., 2012; Yuan & Gallagher, 2016; Zhang, 2022). In Brazil, in particular, studies show that BNDES has played a critical role in financing climate-related industry sectors, such as renewable energy and sustainable agriculture (Bartelega & MendonÇA, 2024; F.-C. Brazil, 2024; Torres & Zeidan, 2016; Trabacchi et al., 2017). As Bartelega and Mendonça (2024) and Torres and Zeidan (2016) show, BNDES has been central in financing the renewable energy sector, absorbing risks that commercial banks typically avoid. Trabacchi et al. (2017) emphasise BNDES's contribution to structuring blended finance models that combine public and private funds to address the high costs associated with climate projects.

In addition to their financial functions, NDBs are recognised for their role in providing technical assistance and capacity building, particularly in contexts where commercial banks lack expertise in climate-related sectors (Culpeper, 2012; Geddes et al., 2018; Nyikos & Kondor, 2022; Zhang, 2022). Culpeper (2012) and Zhang (2022) emphasise the role of NDBs as knowledge experts, facilitating the transfer of technical expertise between market actors and policymakers. Zhang (2022), for example, discusses how NDBs act as trusted intermediaries, integrating technical feedback into policy design to align public strategies with market realities. Similarly, Geddes et al. (2018) describe how NDBs build capacity by establishing technical standards and training local stakeholders, thereby creating enabling environments for sustainable development.

Despite these important contributions, existing literature tends to focus on the instrumental functions of NDBs - capital mobilisation, risk mitigation, and technical support - while giving less attention to their role in driving institutional and field-level change. Griffith-Jones and Ocampo (2018) argue that NDBs must evolve to act as architects of structural transformation, influencing not only market dynamics but also institutional environments. Feil et al. (2021) similarly advocate for viewing NDBs as policy instruments capable of driving sustainable development through systemic change (Feil & Feijó, 2021). Mazzucato and Macfarlane (2023) expand on this perspective, illustrating the transformative potential of NDBs, such as

Germany's KfW and Brazil's BNDES, in aligning public and private priorities to address global challenges (Mazzucato & Macfarlane, 2023).

Building on these insights, this paper positions NDBs as agents of institutional work, focusing on how BNDES contributes to the transformation of Brazil's financial field through specific forms of institutional work such as enabling, educating, embedding, and legitimising climate-aligned practices. Rather than viewing climate finance as a separate domain, the paper examines how climate-related logics are being integrated into mainstream finance, and how BNDES both shapes and responds to this transition. To achieve decarbonisation and climate resilience, substantial institutional and field-level transformations are necessary, as current financial systems are not equipped to address the scale and complexity of these challenges (Carty et al., 2020; Michaelowa & Sacherer, 2022). By linking micro-level institutional work to macro-level field transformation, this study explores the capacity of NDBs like BNDES to contribute to the long-term restructuring of finance in line with global climate goals.

4.2.1 BNDES and the institutionalisation of climate finance

BNDES serves as a compelling case study for exploring the role of national development banks in institutional development and systemic transformation. As one of the largest development banks globally, BNDES has been instrumental in supporting government-led initiatives aimed at strengthening Brazil's economic and industrial base, with a particular focus on investments in sectors such as energy and transportation (Ferraz & Coutinho, 2019; Lazzarini et al., 2015).

The bank's involvement with environmental issues began in the 1970s (Paiva & da Pessoa, 2012), gaining more formal structure in the following decade. After the establishment of the National Environmental Policy (PNMA) in 1981, BNDES started conditioning loans on compliance with environmental standards. In 1984, the bank introduced the Conservation of the Environment Programme (Conserve), aimed at financing pollution control (Furtado, 2016). By 1989, it had set up a dedicated environmental unit, and in the 1990s, helped coordinate the Green Protocol among Brazilian public banks, formalising commitments to environmental and social responsibility (Parreira & Alimonda, 2005). This evolution reflects a broader shift toward a mission-oriented approach to finance, in which public financial institutions aim to shape economic trajectories, not just fix market failures (Mazzucato & Macfarlane, 2023).

In response to evolving global and national priorities, including external pressures from transnational advocacy networks which have actively pushed for greater transparency and higher socio-environmental standards in BNDES practices (Sierra & Hochstetler, 2017), the bank incorporated climate considerations more directly into its institutional strategy. Although BNDES acknowledges the challenges involved in achieving climate neutrality (BNDES, 2022c), it has increasingly positioned itself as a key actor in Brazil's transition to a low-carbon economy (Morris, 2018). To support this transition, BNDES has introduced mechanisms to channel capital towards climate-related projects. It has aligned its activities with Brazil's nationally determined contributions (NDCs), including a target of reaching carbon neutrality by mid-century, both for its internal operations and for the emissions associated with its lending portfolio (BNDES, 2022c).

In 2017, the bank launched a Sustainability Taxonomy to guide its green finance initiatives, categorising eligible projects in areas such as renewable energy, energy efficiency, forestry, and climate adaptation. This framework was updated in 2021 to reflect new guidelines issued by the Brazilian Federation of Banks (Febraban), refining its focus on sectors with higher potential for environmental and social impact (Bartelega & MendonÇA, 2024). BNDES has also taken a leading role in developing financial instruments to support climate-related investments. Its Sustainability Bond Framework (SBF) underpins the issuance of green, social, and sustainability bonds, which have helped attract both domestic and international investors to projects with environmental and social benefits (BNDES, 2021a). This framework positions BNDES as a central actor in climate finance within Brazil, but the bank recognises that further development of these instruments is essential to achieve widespread uptake and make a meaningful impact on the country's financing landscape (BNDES, 2021a).

A major area of focus has been the energy transition, where it has played a prominent role in supporting Brazil's clean energy development. As one of the world's largest financiers of renewable energy, BNDES has invested in expanding Brazil's capacity in wind, solar, and biofuels, adding 9.4 GW of renewable energy to the country's grid between 2017 and 2021 (Bartelega & MendonÇA, 2024). In 2021, the bank formally excluded coal-fired power generation from its financing list, reinforcing its alignment with national and international decarbonisation targets (BNDES, 2021b).

Forestry and biodiversity conservation are also integral to BNDES's climate strategy, particularly through its administration of the Amazon Fund. Established as one of the largest

REDD+ funds globally, the Amazon Fund is aimed at combating deforestation, promoting sustainable development, and conserving biodiversity in the Amazon. Funded through international contributions, mainly from Norway and Germany, the Amazon Fund enables BNDES to mobilise resources for sustainable land use. Empirical studies indicate that the Amazon Fund has successfully contributed to reducing deforestation rates in the Amazon region, showcasing BNDES's effectiveness in managing climate-related funds (Barboza et al., 2023).

BNDES has also prioritised support for low-carbon practices in agriculture, particularly through its involvement in Brazil's Low-Carbon Agriculture Program (ABC Programme). This initiative promotes sustainable agricultural practices, such as no-tillage farming, crop-livestock integration, and the recovery of degraded pastures, aiming to reduce greenhouse gas emissions from Brazil's agricultural sector. BNDES has been a key financier of this programme, providing an annual average of USD 386 million between 2015 and 2020, and facilitating USD 3.2 billion per year in rural credit for low-carbon agricultural practices (Chiavari, 2023).

In addition to these sectoral initiatives, BNDES manages the Climate Fund, a reimbursable fund that supports projects aligned with Brazil's climate policy objectives across various sectors, such as renewable energy, sustainable urban development, and agriculture. This fund is critical to BNDES's broader mission, allowing the bank to support both mitigation and adaptation projects, particularly in alignment with Brazil's National Adaptation Plan (BNDES, 2022c). In addition, in 2023, BNDES secured two significant green loans totalling USD 1.7 billion from the New Development Bank, marking a substantial financial commitment to climate resilience through its Climate Programme (NDB, 2023). This programme prioritises the reduction of greenhouse gas emissions and supports the financing of sustainable infrastructure projects.

While BNDES has made significant progress in supporting the institutionalisation of climate finance in Brazil, it is important to recognise that full integration of climate action across all areas of the bank's operations remains a complex and evolving process. Supporting a climate transition in an economy as large and diverse as Brazil's requires not only ongoing efforts to mobilise substantial private investment but also integrating sustainability across all levels of financial decision-making.

The bank operates in a complex environment shaped by governance constraints, political shifts, and socio-economic disparities. By navigating these dynamics, BNDES highlights the broader puzzle of institutional development: how public institutions can foster systemic change while addressing entrenched structural and governance barriers. This study uses BNDES to explore these dynamics and assess the role of development banks in bridging financial systems with climate change imperatives. As highlighted by Mazzucato and Macfarlane (2023), BNDES exemplifies how mission-oriented development banks can align financial mechanisms with broader societal goals, such as climate resilience and equitable growth. Figure 4.1 presents a timeline of BNDES's key milestones in addressing climate change.

1950s–1970s: **Foundation and early consideration of sustainability**	**1950s**: BNDES was established to support Brazil's economic development, with an initial focus on strengthening industrial and infrastructure sectors.
	1972: Influenced by the UN Conference on the Human Environment in Stockholm, BNDES began to recognise environmental concerns
	1976: Incorporated environmental considerations into its credit analysis and approval processes.
1980s: **Early institutionalisation of environmental practices**	**1981**: Adoption of Brazil's National Environmental Policy led BNDES to make compliance with environmental regulations a prerequisite for financing.
	1984: Following the environmental disaster in Cubatão, BNDES launched the Environmental Conservation Program to finance pollution control initiatives.
	1989: Created its first environmental unit
1990s: **Strengthening sustainability commitments**	**1992**: Participated in the Rio 92 and played a leading role in drafting the Green Protocol
	1995: Became a member of the steering committee of the UNEP finance initiative and helped develop principles for sustainable finance.
2000s: **Establishing climate-focused policies**	**2008**: Administration of the Amazon Fund began
	Introduced the BNDES Atlantic Forest Program to combat deforestation and promote reforestation with native species.
	2009: Updated its Socio-Environmental Procedural Guidelines and formalised its Social and Environmental Responsibility Policy.
	Created the Green Development Area, focused on developing green financial products
2010s: **Expansion and formalisation of climate-related initiatives**	**2011**: Launch of the National Climate Fund, administered by BNDES
	2017: Introduction of the Sustainability Taxonomy to classify and direct green finance initiatives, focusing on areas such as renewable energy, forestry, and climate adaptation.
2020s: **Strengthened commitments and climate finance innovation**	**2021**: Updated the Sustainability Taxonomy to align with standards set by the Brazilian Federation of Banks
	Added coal-fired power generation to its exclusion list
	2022: Launched the Carbon Credit Purchase Programme
	Signed a cooperation agreement with the Climate Bonds Initiative to advance green bond standards
	2023: Hosted the Global Climate Finance Meeting as part of Brazil's G20 Presidency
	Secured two green loans (USD 1.7bi) from the New Development Bank to support climate resilience

Figure 4-1 Timeline of BNDES's involvement in climate change. Source: Author

4.2.2 Institutional architecture and governance of BNDES

As a state-owned company, BNDES is fully controlled by the Brazilian Government, to which it is formally subordinated. It is legally established as a public financial institution under federal law and operates under a hybrid legal status that grants it managerial autonomy while subjecting it to public accountability frameworks (BNDES, 2024b). This dual identity enables BNDES to pursue long-term development mandates but also exposes it to political influence and institutional tensions.

BNDES is subject to the rules defined by the National Monetary Council (CMN), by the Brazilian Central Bank (BACEN), and, in certain capital market activities, by the Brazilian Securities and Exchange Commission (CVM) (BNDES, 2024b). Its organisational structure is hierarchical and functionally specialised. The bank is overseen by a Board of Directors, whose members are appointed by the federal government, who defines institutional priorities and strategic direction. The Executive Board, headed by the President of the bank, manages operational execution and each executive director oversees a specific portfolio (e.g., infrastructure, planning, credit risk, sustainable development), allowing BNDES to maintain technical expertise in policy areas such as climate finance and industrial development (Lazzarini et al., 2020).

In addition to these governance layers, BNDES has advisory and consultative committees, including the Fiscal Council, tasked with overseeing compliance and financial integrity. The Internal Audit Office and Compliance Office ensure transparency and adherence to internal controls, public-sector procurement laws, and federal guidelines (BNDES, 2024b). In recent years, these oversight bodies have been expanded in response to increased demands for transparency, particularly following scrutiny during Brazil's Lava Jato investigations (Barboza et al., 2025).

Although the bank enjoys operational autonomy, its decision-making processes are embedded in Brazil's broader development strategy and subject to influence by political and policy shifts. Strategic decisions, such as the prioritisation of sectors for investment or the introduction of environmental and social governance (ESG) standards, are often shaped by government directives, national development plans, and inter-ministerial negotiations. For instance, its support for infrastructure megaprojects in the 2000s was aligned with the federal government's Growth Acceleration Program (PAC), while its shift toward sustainability post-2010 mirrored Brazil's increasing commitments under international climate agreements. (Bartelega & MendonÇA, 2024).

The relationship between BNDES and the federal government is also reflected in its funding structure. The bank draws on a combination of resources from Brazil's National Treasury, the Workers' Support Fund (Fundo de Amparo ao Trabalhador, FAT), and capital market operations. FAT, in particular, provides a legally mandated source of long-term funding earmarked for development financing, especially in sectors related to employment generation and social welfare. This institutional arrangement links BNDES structurally to Brazil's labour

and social policy architecture (Guerra, 2025). As a result, the bank is both financially and programmatically embedded in the national development apparatus, functioning as a key intermediary between public finance and private sector implementation. To supplement its funding sources, BNDES also issues securities on both domestic and international markets, enabling it to leverage public credibility for private capital mobilisation. This blend of financial sources enhances its capacity to finance long-term investments but also reinforces its exposure to shifts in fiscal policy and public sector reform.

4.2.3 BNDES as a central actor in Brazilian climate finance

One of the key features that defines BNDES as a central actor is its ability to set standards and frameworks that influence the broader financial system. Its Sustainability Taxonomy and Sustainability Bond Framework, for instance, serve not only as internal tools but as reference points for other public banks and market participants. By formalising environmental and social eligibility criteria, BNDES helps consolidate ESG norms within Brazil's financial regulation landscape shaping the "rules of the game" for climate investment.

The bank also plays a coordination role across different levels of government and between domestic and international institutions. Its involvement in managing instruments such as the Amazon Fund and the Climate Fund positions it as a conduit through which federal climate goals are translated into operational mechanisms. In this role, BNDES functions as more than a lender, as it operates as a state-owned financial intermediary that connects domestic policy, international climate finance, and project-level implementation. Unlike other public or commercial banks, BNDES has the political and institutional mandate to lead this kind of multilevel orchestration.

What distinguishes BNDES from regional or multilateral development banks is its embeddedness in national economic strategy. It does not only finance climate action, but it also helps define what counts as climate-relevant within Brazil's development agenda. This includes shaping investment priorities and helping to build domestic climate finance markets. Its ability to offer below-market financing gives it a powerful lever to steer capital into sectors that align with public interest goals but remain unattractive to private finance alone.

At the same time, BNDES's centrality comes with institutional constraints. Its proximity to the state and dependence on public capital make it vulnerable to political shifts and changing administrative priorities. During periods of political volatility, BNDES's lending patterns and

institutional priorities have at times reflected shifting political coalitions and policy realignments (Lazzarini et al., 2015). Consequently, the bank's ability to pursue long-term climate objectives depends not only on internal governance reforms but also on the stability of its external institutional environment.

4.3 Conceptual framework

This section introduces the conceptual framework that underpins this study, integrating institutional work and field-level transformation to examine how BNDES shapes the trajectory of climate-aligned finance. Rather than viewing NDBs solely as financial intermediaries, this framework positions them as institutional actors whose actions contribute to systemic transformation by embedding new logics and practices within financial systems.

Institutional work provides a lens to analyse how actors create, maintain, and disrupt institutional structures, reshaping norms, regulations, and shared understandings (Lawrence & Suddaby, 2006). Field-level transformation extends this perspective by highlighting how cumulative and coordinated actions across multiple actors reshape the institutional field over (Hoffman, 1999). By combining these perspectives, this framework maps the mechanisms through which NDBs, such as BNDES, contribute to this transition.

The framework (see Figure 4.2) identifies specific forms of institutional work (e.g., enabling, educating, embedding, and legitimising) through which BNDES supports the diffusion of climate-aligned financial practices and contributes to the broader transformation of Brazil's financial field.

4.3.1 Institutional work

The concept of institutional work provides a framework to understand how actors, both individuals and organisations, engage in purposeful actions to create, maintain, or disrupt institutions (Lawrence & Suddaby, 2006). These institutions, as defined by Scott (2001), encompass the formal and informal rules that shape behaviour and to which organisations must conform to gain legitimacy and support. They can be regulative (laws and regulations), normative (norms, values, beliefs), and cultural-cognitive (knowledge and skills) (Scott, 2001). Within the context of climate finance, institutional work offers a framework to explore how development banks navigate entrenched structures to introduce new practices and norms that align with climate goals.

A key strength of institutional work lies in its emphasis on agency. Unlike structural approaches that focus solely on constraints, this perspective acknowledges that actors can actively influence institutional environments, albeit within existing limitations. Lawrence and Suddaby (2006) highlight that institutional work is not limited to large-scale, transformative actions. It also includes routine, seemingly mundane activities, such as drafting policies, fostering collaborations, and organising stakeholder workshops. These cumulative actions, while less visible, are critical for driving systemic changes over time (Beunen & Patterson, 2019; Lawrence et al., 2011; Lawrence et al., 2009).

However, it is essential to recognise that these actions do not always achieve their intended outcomes and can lead to unintended consequences (McCarthy & Mena, 2020). Expanding the scope to include these non-purposive actions and their institutional effects, such as incremental shifts in practices, provides a more comprehensive understanding of institutional dynamics. Furthermore, actors operate within institutional logics - defined as the belief systems and frameworks that guide behaviour within institutions (Thornton et al., 2012). These logics can both constrain and enable the success of institutional work, shaping how actors navigate and influence their institutional environments.

Lawrence and Suddaby (2006) classify institutional work into three main categories: creating, maintaining, and disrupting institutions. Creating institutions involves establishing new rules, norms, or standards that govern organisational behaviour. For instance, Suddaby and Viale (2011) describe how professionals use their social capital and expertise to redefine organisational fields by introducing new rules and standards (Suddaby & Viale, 2011). Maintaining institutions requires ongoing actions to keep the established norms and practices that define a particular institutional framework. In contrast, disrupting institutions is concerned with dismantling or challenging existing institutional structures, which often involves conflict and contestation. Disruption can be triggered by both internal and external movements. External movements, which form outside a given field, typically aim to radically alter the existing institutional arrangements through direct actions like protests (King & Soule, 2007; Smets et al., 2012). On the other hand, internal movements work within the field's networks to incrementally change institutional norms without entirely eradicating them (Van Wijk et al., 2013; Van Wijk et al., 2019). These movements reflect the complex and often nonlinear nature of institutional change processes (Hayne & Free, 2014).

Building on the concept of institutional work, Gond and Boxenbaum (2013) underscore that institutional change is not uniform. Instead, it involves the processes of filtering, repurposing, and coupling practices to ensure their legitimacy within specific local contexts. This insight highlights the dynamic nature of institutional work, as actors reinterpret and reshape institutional structures to foster change across diverse settings, a perspective particularly relevant to this study (Gond & Boxenbaum, 2013). Aligning with this view, Beunza and Ferraro (2019) illustrate that institutional change often requires coordination across organisational and stakeholder networks to overcome entrenched norms. By engaging a diverse coalition of actors - such as regulators, practitioners, and civil society- institutional work can bridge gaps between competing interests and facilitate the adoption of new practices (Beunza & Ferraro, 2019).

Expanding on these insights, Crifo et al. (2019) advance the notion of collaborative institutional work, emphasising the relational and multi-stakeholder dimensions of institutional processes. In complex fields like climate change and finance, institutional work often necessitates aligning diverse interests, negotiating contested priorities, and fostering coordination across various institutional layers. Their analysis of the socially responsible investment (SRI) field in France illustrates how iterative, negotiated actions among institutional investors, market intermediaries, and regulatory bodies drive field-level transformation. This perspective enriches the understanding of institutional change by demonstrating how it unfolds within collaborative and politically charged contexts (Crifo et al., 2019).

Beunen and Patterson (2019) further argue that institutional work occurs within deeply political and multi-layered environments where power dynamics, competing interests, and contextual constraints shape its outcomes (Beunen & Patterson, 2019).. This is particularly relevant to the climate finance system in Brazil, where BNDES operates within a complex interplay of stakeholders, institutional logics, and governance levels. By framing BNDES as an active agent of institutional change, the concept of institutional work illuminates how the bank engages in deliberate actions - such as policy alignment, capacity building, and stakeholder engagement - to advance climate goals. These targeted efforts aim to incentivise participation in climate-related investments and reshape the financial system, particularly by engaging incumbent actors that dominate the financial landscape.

Through this lens, institutional work emerges as a valuable analytical tool for understanding how BNDES facilitates climate-aligned finance and engages with broader transformations in the Brazilian financial field. This approach is particularly relevant in the context of climate

finance, where progress depends on navigating entrenched institutional logics, regulatory path dependencies, and complex power dynamics. By integrating these insights, the study positions institutional work as central to evaluating how incremental actions can cumulatively contribute to field-level change and systemic transformation.

4.3.2 Field-level transformation

Institutional change is frequently characterised as cumulative and dynamic, with small-scale shifts aggregating over time to produce systemic transformation (J. Mahoney & K. Thelen, 2009; James Mahoney & Kathleen Thelen, 2009; Van Der Heijden, 2010). These processes unfold through iterative interactions that encompass both deliberate interventions and adaptive responses to evolving conditions. As Beunen and Patterson (2019) observe, field-level transformation is inherently political, driven by negotiation, contestation, and collaboration among actors operating within conflicting institutional logics and competing interests. At the field level, systemic transformation reflects the interplay between actor-driven efforts - such as those of development banks - and external pressures, including societal expectations, technological innovations, and global policy developments (Hoffman, 1999; Wilde & Hermans, 2024).

Building on this foundation, Hoffman (1999) conceptualises institutional fields as arenas organised around "central issues" that bring together diverse actors, each with distinct goals, institutional logics, and strategies. These central issues serve as organising principles that structure interactions, enable coordination, and foster contestation, ultimately shaping the evolution of institutional arrangements. Systemic transformation, therefore, hinges not only on direct, purposeful interventions by individual actors but also on the cumulative effects of these actions as they interact with broader socio-political and economic dynamics. Other scholars draw on these insights and frame institutional change as a systemic process that reshapes the structures, norms, and practices governing a given field (Smets et al., 2012; Suddaby & Viale, 2011).

Micelotta et al. (2017) add an essential layer to this understanding by emphasising pluralism as a defining characteristic of institutional fields. Pluralism refers to the coexistence of multiple, often competing institutional logics - such as market, state, and environmental logics - within a single field. While pluralism can open opportunities for innovation and transformative change by introducing alternative perspectives, it also complicates institutional

change by intensifying conflicts and resistance among stakeholders (Micelotta et al., 2017). This dynamic is particularly relevant in climate finance, where diverse logics often clash over priorities, resource allocation, and the pace of change.

This paper draws on institutional theory to conceptualise field-level transformation through four interrelated dimensions: normative and cultural shifts, reconfiguration of institutional infrastructure, normalisation of new practices, and shifts in influence and power dynamics. Although these dimensions build on existing literature on institutional change (Lawrence & Suddaby, 2006; J. Mahoney & K. Thelen, 2009; James Mahoney & Kathleen Thelen, 2009; Scott, 2001) and field-level transformation (e.g., (Hoffman, 1999; Hoffman, 2006), this study extends their application by linking them to systemic change within the financial field, examining how NDBs such as BNDES catalyse transformations aligned with climate imperatives. In this context, the framework provides a structured lens to assess how BNDES's institutional work facilitates climate finance in Brazil. Table 4.1 outlines these dimensions, detailing their definitions, operationalisation, and the types of evidence sought.

Table 4-1 Dimensions of field transformation in climate finance: definitions, operationalisation, and evidence.

Dimension	**Definition**	**Operationalisation as research methodology**	**Evidence**
Normative and cultural shifts	Changes in values, priorities, and mental models within the field, often driven by advocacy and discourse.	Identifying shifts in discourse, public statements, or institutional priorities related to climate finance.	- Adoption of climate-related language in policies, strategies, or communications. - Reframing of climate finance as economically viable. - Increasing stakeholder alignment on climate priorities.
Reconfiguration of institutional infrastructure	Development of mechanisms, governance structures, and networks to institutionalise climate-related practices.	Analysing the creation or adaptation of tools like taxonomies, platforms, or standards that embed climate finance into formal systems.	- Creation of climate finance taxonomies (e.g., sustainability or green taxonomies). - Establishment of governance frameworks for green bonds or

			blended finance. - Collaborative platforms fostering climate finance coordination.
Normalisation of new practices	Transition of innovative financial tools from niche experiments to mainstream financial practices.	Examining patterns of adoption, routinization, and scaling of climate finance tools within financial systems.	- Uptake of green bonds, sustainability-linked loans, and blended finance by a diverse range of actors. - Growth in the issuance and standardisation of green financial instruments. - Integration of climate tools into banks' portfolios.
Shifts in influence and power dynamics	Realignments in institutional power as development banks and other actors challenge incumbents or include new stakeholders.	Mapping alliances, resource flows, and decision-making patterns to identify changes in power relationships.	- Redistribution of financial resources toward climate-aligned projects. - Emergence of new influential actors in climate finance (e.g., civil society, private sector alliances). - Resistance or adaptation by incumbent actors to shifting priorities.

Normative and cultural shifts occur when values, priorities, and mental models within a field are redefined. For instance, the integration of climate-related principles into financial decision-making processes reflects a normative shift, while the reframing of climate finance as both essential and economically viable represents a cultural-cognitive transformation. These changes are often driven by advocacy, discourse, and collective action, creating a foundation for the broader acceptance of new practices (Beunen & Patterson, 2019; Thornton et al., 2012).

The reconfiguration of institutional infrastructure involves the development of mechanisms, governance structures, and networks that institutionalise climate-related practices. Such changes play a critical role in embedding new norms within formalised systems and establishing their legitimacy (Hoffman, 1999). For example, the establishment of taxonomies,

green finance standards, and collaborative platforms facilitates coordination among stakeholders, aligning climate finance objectives with broader regulatory and economic frameworks.

Normalisation of new practices occurs when innovative financial tools - such as green bonds, sustainability-linked loans, and blended finance mechanisms - progress from niche experiments to mainstream financial practices. This evolution requires sustained institutional work to ensure that these tools are widely adopted, routinised, and integrated across the financial field (Lawrence & Suddaby, 2006; Zietsma & Lawrence, 2010).

Finally, systemic transformation entails shifts in influence and power dynamics within the institutional field (Dimaggio, 1998; Lawrence et al., 2009; Micelotta et al., 2017). These shifts emerge as development banks and other actors challenge dominant incumbents, forge new alliances, and create opportunities for additional stakeholders to participate. By leveraging resources, expertise, and credibility, actors can foster realignments that disrupt entrenched power structures and advance the adoption of innovative practices (Micelotta et al., 2017). However, these shifts are often contested and require negotiation, reflecting the complexities of redistributing influence and control within established systems.

Figure 4.2 presents the framework which is structured around three interconnected components: the roles of NDBs, the forms of institutional work they can perform, and the possible resulting field-level changes.

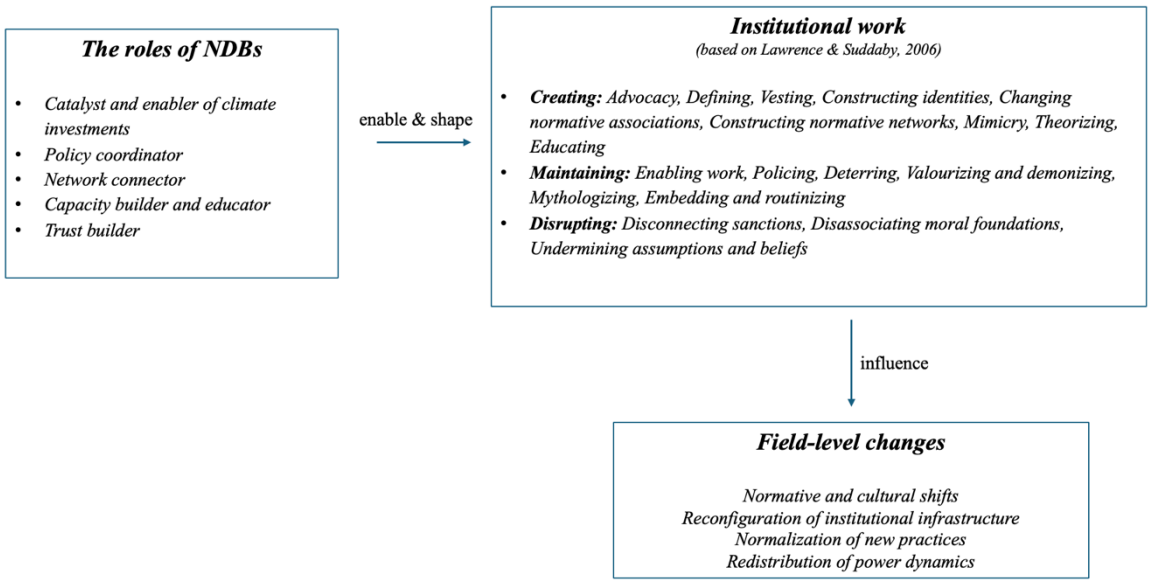

Figure 4-2 Conceptual framework for NDBs' institutional work and field-level transformation in the financial system through climate finance. Source: Author

4.4 Methodology

This study adopts a qualitative research design, using semi-structured interviews and documentary analysis to explore the role of the BNDES in climate finance in Brazil.

4.4.1 Data collection

To investigate the politics of climate finance in Brazil, 62 semi-structured interviews were conducted between January and March 2020. These interviews targeted stakeholders involved in various aspects of climate finance, including representatives from government bodies, financial institutions, non-governmental organisations, consulting firms, private sector companies, and international organisations. During the data analysis phase, it became evident that 24 of these interviews were particularly relevant to this paper's focus on BNDES and its role in climate finance. This subset comprised interviews that provided direct insights into, or substantial engagement with, BNDES's contributions to climate finance. The remaining interviews informed broader research objectives but were not directly utilised in this paper. Appendix D provides a detailed table of interviewees by category and date.

During the interviews, BNDES naturally emerged as an important topic in discussions about the climate finance system in Brazil. Respondents consistently identified BNDES as a key player in climate finance initiatives and emphasised its role as a critical actor shaping policies

and practices. For instance, some interviews employed a visual tool that invited participants to illustrate their perspectives on the primary components of Brazil's climate finance landscape. These illustrations frequently positioned BNDES as a central actor, underscoring its prominence in the system. This emergent theme was an indication of the institution's significant role, warranting further investigation.

The iterative nature of the interviews allowed for a dynamic and responsive approach to data collection. While initial questions explored participants' general views of climate finance in Brazil, the recurring prominence of BNDES informed subsequent questions. By embracing this process, the research was able to delve deeply into BNDES's contributions, reflecting its centrality in shaping Brazil's climate finance landscape.

Recognising BNDES's importance, I conducted an in-depth documentary analysis to complement the insights from the interviews. This analysis included reports from BNDES, government documents, policy papers, and academic literature. Using search terms such as "BNDES climate finance," "BNDES sustainable finance," and "BNDES climate change," both in Portuguese and English, I collected materials that provided historical and contextual depth to BNDES's role in Brazil's climate finance initiatives. This approach strengthened the analysis and highlighted the institution's impact within the broader climate finance system.

4.4.2 Data analysis

The analysis of interview and documentary data followed an iterative and thematic approach. The initial coding phase explored broad themes related to climate finance, such as institutional dynamics, market development, and policy alignment. As BNDES emerged as a recurring theme across the data, a second round of focused coding were conducted, explicitly focusing on the actions and mechanisms through which the institution was involved in relation to climate finance.

A subsequent round of codes was then informed by the theoretical lens of institutional work. Following Lawrence and Suddaby's (2006) framework, I examined how BNDES engaged in actions to create, maintain, or disrupt institutional arrangements. This involved coding instances where respondents described BNDES's mechanisms, practices, and strategies, with attention to the forms of institutional work and their alignment with broader systemic changes.

At a later stage, the analysis was then guided by the four dimensions of field-level transformation identified in the conceptual framework: normative and cultural shifts, reconfiguration of institutional infrastructure, normalisation of new practices, and shifts in influence and power dynamics. Data was analysed to uncover how BNDES's activities intersected with these dimensions, revealing its contributions to reshaping the climate finance field. For instance, the uptake of green financial tools was analysed as evidence of normalisation, while stakeholder narratives around BNDES's leadership reflected shifts in influence and power dynamics.

Finally, documentary analysis complemented the interview data by providing additional context and triangulating findings. This included reports, policy documents, and academic literature, which were reviewed to contextualise BNDES's actions within Brazil's climate finance system. This integration of data sources and iterative analysis process ensured that the study's findings were connected to the theoretical categories and dimensions outlined earlier, providing an understanding of BNDES's role in fostering systemic change.

4.4.3 Reflexivity and research evolution

A significant feature of this paper is the reflexive and adaptive evolution of the research focus during data collection. As data analysis for other components of my PhD thesis progressed, BNDES's role consistently emerged as a critical theme. Recognising its significance, I extended the scope of my inquiry to include additional literature review and analyses focused specifically on the institution's contributions to climate finance. This reflexive approach underscores the dynamic and iterative nature of qualitative research, enabling the study to respond to emergent themes and provide an understanding of Brazil's climate finance system.

The concentrated focus on BNDES provides valuable depth and specificity, offering insights into how institutional work facilitates field-level change. However, this targeted scope also means that other actors and dimensions of Brazil's financial system are beyond the immediate scope of this paper. While this reflects a necessary delimitation, it underscores the importance of complementary research to capture the broader systemic and multi-actor dynamics of climate finance in Brazil.

4.5 BNDES's roles and institutional work in climate finance

This section presents findings from empirical data on how BNDES contributes to advancing climate finance in Brazil. By mobilising resources, engaging in discussion of policies, fostering collaboration, building capacity, and establishing trust, the findings illustrate the multifaceted roles that NDBs can play in addressing key barriers within the climate finance system. Drawing on the framework of Lawrence and Suddaby (2006), the analysis identifies how BNDES enables, embeds, educates, and legitimises emerging climate finance practices in Brazil. Table 4.2 summarises the institutional work associated with BNDES's key roles, linking specific activities to the mechanisms through which it contributes to reshaping the field of finance around climate imperatives. These roles reflect observed patterns across interviews and document analysis and illustrate how a development bank can act as a field-level change agent.

Table 4-2 Summary of BNDES roles and associated institutional work in the finance field.

BNDES role	**Key activities**	**Institutional work** (based on Lawrence and Suddaby, 2006)
Catalyst and enabler of climate investments	Mobilising resources, creating blended finance mechanisms, and de-risking climate projects	Enabling Work
Policy coordinator	Aligning climate policies with market realities, integrating climate goals into regulatory frameworks	Embedding Work
Network connector	Building public-private networks, fostering collaboration across stakeholders	Embedding Work
Capacity builder	Training stakeholders, addressing knowledge gaps, and building expertise	Educating Work
Trust builder	Establishing credibility for climate finance instruments, reducing perceived risks	Legitimising Work

Enabling work

BNDES's role as a catalyst for climate investments exemplifies enabling work, which Lawrence and Suddaby (2006) define as creating the rules, structures, and resources necessary

for institutions to operate effectively. This role is crucial for addressing barriers in Brazil's financial system, such as insufficient private sector engagement in high-risk climate-related projects. The findings highlight how BNDES mobilises resources, designs innovative financial mechanisms, and supports project pipelines, thereby enabling the expansion of climate finance initiatives in Brazil.

BNDES performs enabling work through financial instruments such as the Climate Fund and the Blended Finance Fund, which combine concessional and commercial capital to create hybrid financial structures (BNDES, 2022b). These mechanisms distribute risk and reduce entry barriers for private investors, making climate finance projects more accessible. For instance, the Climate Fund provides concessional financing for renewable energy, energy efficiency, and low-carbon agriculture projects aligned with Brazil's National Policy on Climate Change (Talanoa, 2024b). As one interviewee noted, *"By mitigating perceived risks, these funds encourage private sector participation in projects that would otherwise be seen as too risky or unprofitable"* (Interviewee 18).

Another critical aspect of BNDES's enabling work is its role in identifying and preparing climate-related projects to expand the boundaries of what is considered "bankable." Public calls for proposals *("editais")* establish specific criteria to ensure that selected initiatives meet desired standards. A notable example is the Carbon Credit Purchase Programme, launched in 2022 with a $20 million USD budget to finance projects generating carbon credits. This pioneering initiative - the first of its kind by a public bank in Brazil - targets projects such as reforestation, REDD+, renewable energy, and sustainable agriculture, creating new opportunities for market engagement (BNDES, 2022a).

BNDES has also engaged in partnerships to promote climate finance innovations. In May 2022, the bank signed a cooperation agreement with the Climate Bonds Initiative (CBI) to align its green bond framework with international standards. This collaboration aimed to attract international investments, refine environmental, social, and governance (ESG) strategies, and influence the development of green finance taxonomies in Brazil (CBI, 2022)By setting an example for other financial entities, BNDES has demonstrated the potential of green bonds as a tool to mobilise capital toward sustainable projects.

BNDES's role as an intermediary in blended finance models illustrates its enabling work in maintaining investment flows for climate projects. Through its Blended Finance Fund, the bank

has created platforms for public-private partnerships to de-risk projects and enhance their credibility. As noted by several interviewees, BNDES's presence in climate finance projects functions as a credibility signal for private investors. One senior executive explained: *"Their [BNDES] presence in these climate projects reassures investors. It's not just about initial funding - it's about keeping these projects credible"* (Interviewee 10). This reassurance is particularly critical in a market where new actors are often hesitant to engage.

In performing legitimising work, BNDES leadership has played a prominent role in reframing climate finance as both economically viable and strategically essential for Brazil's future. Public statements by Joaquim Levy (President, 2019) and Aloizio Mercadante (President, 2022–) consistently highlight the economic logic of climate-aligned investments and emphasise the role of public development banks in shaping national strategies (BBC, 2021; CarboNext, 2022; ClimaInfo, 2020). These discursive interventions support normative and cultural shifts in the field by reinforcing climate finance as mainstream rather than niche. For example, President Aloizio Mercadante frequently highlights the necessity of aligning Brazil's development trajectory with global climate goals and advocates for public-private sector collaboration. *"Public banks are decisive in facing this crisis. There is no other instrument more agile and more committed to this agenda,"*(BNDES, 2024c). At COP26, Mercadante further emphasised the need for companies to internalize environmental considerations in their strategies, urging businesses to adopt the *"climate language"* and recognise sustainability as a significant, yet underutilised, economic force for Brazil (Chiappini, 2025).

Embedding work

BNDES plays a critical role in embedding climate finance practices within Brazil's financial and regulatory architecture. Embedding work, as defined by Lawrence and Suddaby (2006), involves integrating institutional innovations into formalised systems to legitimise and sustain them. BNDES undertakes this work through policy coordination and cross-sectoral network building, aligning climate objectives with financial logics and operational practices. In doing so, it supports the stabilisation and normalisation of climate finance within the broader financial field.

One of BNDES's primary embedding activities involves supporting the design of policies that balance ambitious climate goals with economic feasibility. This includes providing expertise to policymakers to ensure that climate finance policies are actionable and attractive to private

investors. As one BNDES official explained, *"We're often part of the conversation on how broader climate finance policies are shaped. We sit at the table with the government, especially the Ministry of the Economy, to ensure that their plans align with what's happening in the market"* (Interviewee 33). Another interviewee highlighted BNDES's approach, noting that *"Sometimes, the government has these big climate targets, but the policy details don't always match. We're the ones who step in and say, 'Hey, here's how you can tweak this to actually get investors on board'"* (Interviewee 32).

For example, BNDES contributed significantly to the Brazilian National Strategic Plan, developed in collaboration with the Ministry of Planning. This plan integrates climate goals into Brazil's broader economic and development agenda, demonstrating how BNDES works to ensure that policies are both ambitious and implementable. By fostering such alignment, BNDES helps bridge the gap between policy intentions and market realities (Morris, 2018).

BNDES also serves as a network connector, fostering collaboration across public, private, and international sectors to advance climate finance. This role is evident in its active participation in the Financial Innovation LAB, a joint initiative of the Brazilian Association of Development (ABDE) with the Inter-American Development Bank (IDB) and the Securities Commission (CVM), which aims to promote dialogue among regulators, investors, and industry stakeholders (BNDES, 2018). Through the LAB, BNDES supports the development of innovative financial instruments, such as green bonds, while ensuring coherence across stakeholder objectives. As one official noted, *"We have regular meetings with members of the LAB, supporting their reports and events to ensure the feasibility and benefits of proposed solutions for all stakeholders"* (Interviewee 32).

A notable example of BNDES's embedding work is its leadership in the Investment Platform for Climate and Ecological Transformation (BIP). Supported by the Green Climate Fund (GCF) and Bloomberg Philanthropies, this platform aligns national development objectives with climate priorities (M. d. F. Brazil, 2024). By hosting the BIP, BNDES facilitates dialogue among diverse actors, positioning itself as a key advocate for embedding climate-related priorities into Brazil's financial systems. BNDES President Aloizio Mercadante highlighted the bank's critical role, stating, *"The 72-year history of BNDES and its deep local knowledge will be a key lever for the work of the Platform"* (M. d. F. Brazil, 2024).

BNDES's embedding work also includes its efforts to institutionalise green finance standards and practices. For instance, the bank has been instrumental in developing green bond guidelines, promoting their adoption across Brazil's financial system (Interviewee 10). By coordinating with private sector stakeholders and regulatory bodies, BNDES aims to ensure that these guidelines align with market needs while advancing climate priorities. These efforts align with Lawrence et al.'s (2011) view of embedding work as establishing shared norms and routines that promote the adoption of new practices.

Educating work

BNDES plays a critical role in building capacity within Brazil's climate finance system, aligning with the concept of educating work as defined by Lawrence and Suddaby (2006). This type of institutional work focuses on enhancing the skills, knowledge, and understanding of actors to facilitate engagement with new practices. Crucially, this work helps shift the cognitive and normative foundations of the field, expanding who can participate in climate finance and how they understand their roles. In this way, BNDES's educating efforts contribute to field-level transformation by fostering shared knowledge, technical competence, and interpretive alignment across a diverse set of actors.

A cornerstone of this work is BNDES's commitment to fostering knowledge exchange through forums and events. For instance, the Global Climate Finance Meeting, hosted in 2023 in partnership with Brazil's G20 Presidency and the Ministry of Finance, convened global stakeholders to discuss strategies for advancing climate finance (BNDES, 2024a). This event facilitated the sharing of best practices, strengthened relationships, and promoted coordinated approaches, helping to align discourse and expectations within the field.

In addition to high-profile events, BNDES engages in routine capacity-building activities, reflecting the micro-practices of institutional work. These include drafting policy guidelines, coordinating standards, and developing frameworks for sustainability-linked loans. As one BNDES official explained, *"It's a constant effort to ensure they [debt capital markets teams] see the value in these instruments and understand how they can integrate them into their strategies"* (Interviewee 33). These daily interactions help normalise new financial tools and embed them into the field's routines and expectations.

BNDES also invests in the professional growth of its employees, encouraging them to pursue advanced studies abroad, particularly in sustainable finance and climate investment mechanisms. This strategy strengthens the institution's internal capacity to adapt to evolving challenges in climate finance. One interviewee observed, *"BNDES's focus on internal capacity development ensures the institution remains resilient and adaptable, even in a changing climate and financial landscape"* (Interviewee 30).

Research and innovation are supported through initiatives such as the BNDES Climate Award, which incentivises high-quality research on climate issues specific to Brazil (BNDES, 2022d). This programme not only builds technical knowledge but also supports the co-creation of climate finance tools with practical application, such as carbon pricing mechanisms and deforestation policies, thus strengthening the infrastructure of the field. As another interviewee noted, *"The award demonstrates BNDES's commitment to leveraging expertise for impactful solutions in climate finance"* (Interviewee 33).

BNDES has also championed the importance of "learning the climate language," particularly among corporate executives. Former President Gustavo Montezano (2019–2022) urged business leaders to understand the climate implications of their operations. He remarked:

> *"Speaking about innovation, I want to send a message to any president, director, or board member of Brazilian companies: you need to understand climate. It's essential to start doing your homework and understand how your company impacts the climate. When presidents and board members understand climate, the potential they have to make a difference is enormous, and together, we can create a significant impact through sustainability. But we need to learn to speak this language"* (APRAPCH, 2021).

Montezano further noted that *"the environment and sustainability are a great strength of the country that should be better utilised"* (Vasconcellos, 2021).

Such public advocacy reflects how BNDES contributes to shifting mental models within the private sector, encouraging actors to reframe climate action as both a strategic necessity and a competitive advantage. These efforts are crucial to field-level change, as they promote convergence around new norms, expertise, and interpretive frames that define what is legitimate, valuable, and actionable in the climate finance domain.

Legitimising work

BNDES plays a critical role in fostering credibility and trust within Brazil's climate finance system, aligning with the concept of legitimising work as outlined by Lawrence and Suddaby (2006). BNDES encourages the widespread acceptance of emerging climate finance practices, particularly in high-risk sectors such as agriculture and energy (Interviewee 25, Interviewee 26). This trust-building is essential for reducing perceived risks among both private and international investors.

One of the key facets of BNDES's legitimising work is its endorsement effect. As one interviewee explained, *"When BNDES backs a project, it's a strong signal to the market. Investors see that support and know it's been vetted; this creates a level of trust you can't find elsewhere"* (Interviewee 4). By leveraging its reputation, BNDES reassures investors about the credibility and viability of climate finance initiatives, reducing barriers to private sector engagement.

BNDES's role as a trust-builder extends beyond national boundaries. Its established track record in facilitating large-scale infrastructure and environmental projects positions it as a reliable channel for foreign capital to flow into Brazil's climate finance market. As one interviewee observed, *"BNDES provides a sense of stability and reliability for international stakeholders, who are often cautious about emerging markets"* (Interviewee 50). This reputation not only attracts donor countries and international investors but also bolsters Brazil's position as a viable destination for climate-related investments.

BNDES's legitimising work has also encouraged other financial institutions to integrate climate-related considerations into their operations. For example, BNDES has embedded climate-related language into its internal policies, such as its Sustainability Taxonomy, aligning financial practices with climate priorities. This internal alignment signals a strong institutional commitment to sustainability, setting a precedent for other actors in the financial system to follow (CBI, 2022).

4.6 Linking institutional work to systemic shifts

This section explores how BNDES's institutional work contributes to shaping Brazil's climate finance field, highlighting both its successes and limitations. Drawing on the framework of institutional work and field-level transformation, the analysis evaluates BNDES's interventions across four key dimensions: normative and cultural shifts, reconfiguration of institutional

infrastructure, normalisation of new practices, and shifts in influence and power dynamics (see Table 1). These dimensions serve as indicators of field-level transformation, capturing how incremental and coordinated actions may gradually reshape the rules, norms, and structures that define the financial field in the context of climate goals.

By unpacking these dimensions, the analysis provides a more nuanced understanding of how institutional work undertaken by a central actor such as BNDES can facilitate, but also be constrained in, the pursuit of systemic change. In doing so, it contributes to the broader question of how national development banks function not just as financiers, but as institutional actors embedded in contested and evolving fields.

Normative and cultural shifts

Through its educating and embedding work, BNDES has sought to reposition climate finance as both economically viable and integral to sustainable development. These efforts are evident in initiatives such as the Federal Government's Investment Platform for Climate and Ecological Transformation (BIP) and public campaigns led by key leaders like Joaquim Levy and Gustavo Montezano. For example, Montezano's emphasis on "learning the climate language" reflects a deliberate attempt to integrate climate-aligned values into Brazil's financial discourse.

These shifts mark progress in reframing field-level norms, but their reach remains uneven. They are most visible in sectors already predisposed toward climate goals, such as renewable energy and ESG-oriented finance. More traditional and carbon-intensive sectors, including agriculture and heavy manufacturing, continue to prioritise short-term economic returns over long-term environmental goals, illustrating how entrenched institutional logics resist change (Carauta et al., 2021; Franchini et al., 2023). This aligns with previous research that highlight how normative and cognitive factors shape the willingness of sectors to engage with climate strategies (Berger-Schmitz et al., 2023; Crifo et al., 2019; Dumas & Louche, 2016), revealing the persistence of parallel logics within the field, which limit normative convergence.

Moreover, normative and cultural shifts within the climate finance system appear to be concentrated at stakeholders already aligned with climate goals, known as *"os convertidos"* ("the converts") (Interviewee 15). Also, while BNDES has demonstrated a commitment to aligning financial practices with climate priorities through initiatives such as its Sustainability Taxonomy, evidence suggests that these efforts remain niche rather than mainstream within

Brazil's financial sector. As Bartelega and Mendonça (2024) note, the practical implementation of these initiatives is still in its early stages. They note that the widespread adoption and impact of BNDES sustainability taxonomy across the broader financial system have been limited (Bartelega & MendonÇA, 2024).

This creates a risk of insular progress that fails to permeate broader economic sectors (Juravle & Lewis, 2008). As Hoffman (1999) highlights, field-level transformation requires widespread buy-in across diverse actors, including those operating under conflicting institutional logics. In Brazil, conflicting priorities within traditional economic sectors still seem to limit the potential for systemic normative alignment, with a focus on short-term economic returns often taking precedence over climate-related goals. For example, as highlighted in a 2024 Financial Times article, President Luiz Inácio Lula da Silva faces an uneasy tension between environmental leadership and economic growth, particularly regarding oil production (Pooler, 2024). These contradictions underscore how systemic normative alignment is constrained by broader field-level dynamics, including conflicting power centres and institutional inertia.

Reconfiguration of institutional infrastructure

BNDES has played a pivotal role in adapting governance frameworks to institutionalise climate-related practices, exemplifying its embedding work through initiatives that align national policies with climate objectives. A notable example is BNDES's contribution to the Brazilian National Strategic Plan, where it partnered with the Brazilian Center for International Relations (CEBRI), the Inter-American Development Bank (IDB), and Brazilian universities to develop the 2025–2040 decarbonisation roadmaps for key sectors, including electricity, fossil fuels, bioenergy, and hydrogen (CEBRI, 2024). These roadmaps, rooted in Brazil's NDCs, address field-level barriers such as availability of capital, regulatory alignment, and technology costs, aiming to position Brazil as a global leader in achieving carbon neutrality by 2050. This collaborative effort underscores BNDES's ability to coordinate diverse stakeholders and integrate climate priorities into long-term governance strategies.

BNDES has also actively contributed to the institutionalisation of climate-related governance through regulatory advancements. For instance, the bank has engaged in public hearings at Brazil's Chamber of Deputies, advocating for legislative progress in climate finance. Highlighting its proactive role, BNDES's Director of Infrastructure, Energy Transition, and Climate Change praised the recent approval of Law 14.948/24, which established a legal

framework for low-carbon hydrogen, and PL 3027/24, which allocated approximately $2.9646 billion USD in tax incentives for the energy transition sector (Deputados, 2024). Luciana Costa noted that these laws *"project financing opportunities that position Brazil as a leader in the global process of replacing polluting energy sources like petroleum and coal"* (Deputados, 2024)

BNDES's embedding work also extends to the development of tools that aim to enhance climate governance. Recently, the bank announced its support for a platform to assist the monitoring of climate-related actions. BNDES President Aloizio Mercadante emphasised the platform's importance, stating, *"This agreement aligns with our strategy to combat climate change and finance a just ecological transition, with a focus on decarbonisation."* (ABDE, 2024). By fostering dialogue between BNDES technical experts and external stakeholders, the platform aims to strengthen public financing systems and ensure that climate priorities are embedded into governance structures (ABDE, 2024).

Another key area of progress lies in BNDES's efforts to institutionalise green financial instruments. Through a partnership with the Climate Bonds Initiative (CBI), BNDES has worked to standardise the issuance of green bonds, promoting investor confidence and aligning Brazil's financial system with global climate goals. This partnership, which exemplifies BNDES's legitimising work, has set benchmarks for the issuance of green financial instruments, inspiring other market actors to follow suit (CBI, 2022).

However, these embedding and legitimising efforts have yet to trigger transformative change across the field. First, political instability challenges the scalability and consistency of BNDES's initiatives. The success of governance frameworks relies heavily on sustained political commitment, which is often undermined by shifts in leadership and policy priorities (Thomaz et al., 2020). Second, resistance from traditional actors, such as incumbent fossil fuel industries, limits the integration of climate priorities into mainstream financial systems (Carauta et al., 2021). These entrenched interests hinder the bank's ability to disrupt existing structures, highlighting the broader challenges of embedding climate considerations across a financial system still dominated by traditional logics and actors. Therefore, while BNDES has helped build the infrastructure necessary for change, the broader field remains fragmented and contested. Without deeper alignment across public, private, and regulatory actors, these advances risk becoming siloed interventions rather than levers for systemic transformation.

Normalisation of new practices

BNDES's efforts to normalise innovative financial instruments, such as green bonds and blended finance models, highlight its role in advancing climate finance practices within Brazil's financial sector. By leveraging its enabling, embedding, and legitimising work, the bank has introduced mechanisms aimed at both de-risking climate-related projects and redefining traditional financial norms.

Former BNDES President Gustavo Montezano notably reinforced the role of the bank in establishing and institutionalising markets for carbon finance, emphasising its commitment to integrating carbon pricing and environmental service payments into Brazil's financial landscape (XPI, 2022). These efforts reflect a deliberate attempt to align market mechanisms with national and global climate goals, providing a foundation for the financial sector to engage in climate-related practices.

BNDES's role in issuing and promoting green financial instruments further demonstrates its progress in aiming to normalise new practices. The launch of its Sustainability Bond Framework in 2021 was an important step, expanding the bank's capacity to issue green bonds. By setting a precedent, BNDES has influenced other market actors to follow suit, fostering a ripple effect that gradually embeds climate finance tools into the broader financial system. The Climate Bonds Initiative (CBI) recognised this leadership, noting that BNDES's innovative issuances catalysed similar activities across the market (CBI, 2022).

Despite these advancements, the findings reveal significant challenges in the broader normalisation of these practices. While BNDES has successfully introduced and demonstrated the viability of tools such as blended finance and green bonds, their uptake remains concentrated within specific projects or niche sectors (Chiavari, 2023). This reflects a broader limitation within Brazil's financial system, where climate finance instruments are yet to transition from experimental initiatives to standardised components of financial portfolios (Talanoa, 2024b). As Lawrence and Suddaby (2006) suggest, the true normalisation of practices requires the routinisation of values, tools, and behaviours into the everyday operations of financial actors - a milestone that has yet to be achieved in this context.

This uneven adoption highlights systemic barriers, including a lack of engagement from mainstream financial institutions and the limited scalability of climate finance products. While

some private sector actors have embraced these instruments, their integration into traditional financial practices remains sporadic. For example, green bonds and sustainability-linked loans are predominantly utilised in isolated sectors, limiting their potential to transform Brazil's finance field comprehensively (Franchini et al., 2023).

Redistribution of power dynamics

A key finding of this study is that the redistribution of power within Brazil's financial system emerges as a particularly complex challenge for achieving field-level transformation. While BNDES's initiatives, such as blended finance mechanisms, have lowered barriers to private sector involvement – making it easier for private actors to enter and invest in climate-related initiatives - they have not significantly disrupted the dominance of entrenched incumbents or restructured the hierarchies that shape Brazil's financial landscape. These efforts have yet to substantially empower smaller financial institutions or civil society organisations, which remain on the periphery of Brazil's financial system. As one interviewee noted, *"The system is still dominated by the major players. Smaller actors simply don't have the capacity or the access to engage meaningfully (...)"* (Interviewee 18). This highlights the difficulty of driving inclusive change in a system where influence is concentrated among a few powerful actors.

BNDES's initiatives such as the Amazon Fund provides an useful perspective on the complexities of power redistribution. While the fund has achieved notable successes, such as an 80% reduction in deforestation since 2004, it has struggled to ensure equitable access to resources (Furtado, 2016). Smaller organisations and underrepresented groups face barriers that larger civil society entities and government bodies do not encounter, perpetuating systemic inequalities in resource allocation.

The institutional frameworks of the Amazon Fund and blended finance models often reinforce the influence of established players. For example, resource distribution and decision-making processes are heavily influenced by larger, more established actors, leaving smaller, innovative stakeholders with limited opportunities to contribute (Flossmann-Kraus, 2020). This reliance on existing hierarchies risks perpetuating power imbalances within the financial system, undermining efforts to democratise climate finance.

4.7 Discussion

The institutional work undertaken by BNDES has played a pivotal role in advancing climate finance in Brazil, demonstrating its capacity to engage in enabling, embedding, educating, and legitimising activities. These efforts have not only facilitated resource mobilisation and stakeholder engagement but also contributed to shaping the norms, structures, and practices that underpin the field of finance as it transitions toward climate-aligned priorities. The findings underscore the inherent "stickiness" of financial systems - deeply entrenched institutional logics, norms, and power dynamics - that present significant challenges to field-level transformation. Structural barriers, such as slow fund disbursement and procedural complexity, limit the scalability of BNDES's innovations. Additionally, the bank's dependence on political dynamics constrains its ability to maintain consistent strategies, with shifts in leadership and policy priorities often disrupting its contributions (Bartelega & MendonÇA, 2024; Torres & Zeidan, 2016).

Advancing on Dumas and Louche (2016), Culpepper (2005), and Juravle and Lewis (2008), who highlight the persistence of entrenched institutional logics in financial systems, this study moves beyond identifying barriers to examine how institutional actors like BNDES actively navigate these constraints. By analysing the mechanisms through which BNDES mitigates risk perceptions, fosters knowledge dissemination, and cultivates public-private collaboration, this research maps the pathways through which institutional work contributes to systemic transformation.

This study also extends Micelotta et al. (2017) by providing empirical evidence of how institutional pluralism at the field level and institutional complexity at the organisational level interact to shape climate finance outcomes. Institutional complexity arises when organisations face conflicting demands from multiple logics within their environment (Micelotta et al., 2017). For BNDES, this complexity is evident in its need to balance competing priorities, such as economic development versus environmental sustainability, and local versus global pressures. For instance, BNDES's investments in low-carbon agriculture align with climate goals but may conflict with immediate economic pressures to support traditional industries. This tendency is especially pronounced in politically influenced organisations like BNDES, which must navigate shifting policy priorities and stakeholder expectations. At the field level, institutional pluralism reflects the coexistence of diverse logics that guide the behaviour of actors within

the climate finance system (Micelotta et al., 2017). While this pluralism fosters innovation, it also creates fragmentation and resistance, as actors prioritise their specific interests over collective goals. The findings reveal uneven adoption of climate finance practices, with certain sectors or organisations advancing more rapidly than others.

By integrating institutional work with the concept of field-level transformation, this study avoids the somewhat simplified notion that institutional change is a direct outcome of purposeful actions by "heroic" institutional entrepreneurs (Battilana et al., 2009; Hardy & Maguire, 2008). Instead, it emphasises the complex social structures that provide multiple pathways for action (Fligstein, 2021; Fligstein & McAdam, 2011; Kluttz & Fligstein, 2016). This approach aligns with Micelotta et al. (2017), who argue that change may occur through diverse pathways, constrained and enabled by pluralistic and complex institutional environments.

Furthermore, advancing on Lawrence et al. (2001), who emphasise the longitudinal nature of institutional change, this study empirically highlights the incremental, multi-actor nature of transformation in climate finance. While some dimensions - such as power redistribution and the long-term normalisation of climate-aligned practices - remain difficult to capture within the temporal scope of this research, this study's methodological approach makes visible the stepwise nature of institutional work. By linking micro-level institutional actions with macro-level systemic transformation, this research provides a more granular understanding of how climate finance evolves over time.

Finally, this paper extends discussions on the role of development banks in climate finance (Attridge et al., 2023; Barboza et al., 2023; Griffith-Jones et al., 2020; Nyikos & Kondor, 2022; Yindenaba Abor, 2023; Zhang, 2022) by demonstrating that NDBs are not merely financial intermediaries but key institutional actors actively shaping systemic transitions. This study moves beyond a financial lens to map out the institutional pathways that facilitate or constrain systemic change. In doing so, this study contributes to a more nuanced understanding of how field-level change occurs within finance, and how climate finance emerges through both intentional institutional efforts and broader structural conditions.

4.8 Conclusion

This paper has explored the institutional dimensions of NDBs in facilitating climate finance, using BNDES as a case study to illustrate their dual role as financial intermediaries and agents of systemic change. By engaging in enabling, embedding, educating, and legitimising actions, BNDES has addressed key barriers such as risk perception and knowledge gaps, contributing to the gradual alignment of financial systems with climate goals. However, its efforts also reveal the challenges of overcoming entrenched institutional logics and redistributing power dynamics, underscoring the complexity of achieving systemic transformation in politically and structurally constrained environments.

Theoretically, this study extends Zhang (2022) by moving beyond the role of NDBs as policy coordinators to conceptualising them as institutional actors actively shaping field-level transformation within finance. While Zhang (2022) emphasises how NDBs align climate finance policies with market realities, this research demonstrates that they actively aim to reconfigure financial governance structures, shift investment priorities, and institutionalise climate finance norms. By bridging institutional work (Lawrence & Suddaby, 2006) with field-level transformation (Hoffman, 1999), this study challenges linear assumptions of institutional change, illustrating how fragmented, incremental actions may accumulate but do not necessarily translate into systemic shifts without sustained, multi-actor coordination. While institutional work - through enabling, embedding, educating, and legitimising - can reshape norms and practices over time, deeply entrenched institutional logics, political volatility, and structural inertia often impede efforts from achieving economy-wide transformation.

Empirically, this study provides a detailed examination of BNDES, offering insights into how an NDB in an emerging market context operates not just as a capital provider but as an institutional actor navigating structural constraints and political volatility. By mapping BNDES's institutional work, this research highlights both the enabling and constraining factors that shape NDBs' ability to influence transformation across the financial field. The findings suggest that while climate finance may be emerging as a distinct subfield, its development is still shaped by broader dynamics within the financial system.

Practically, this study reinforces Hoffman's (1999) argument that systemic transformation requires coordinated, multi-scalar efforts across diverse actors. While BNDES has laid important groundwork, achieving lasting change depends on aligning stakeholders, fostering

coalitions, and addressing structural barriers that impede progress. Governments must create enabling policy environments that support NDB-led climate finance initiatives, while private sector actors must integrate innovative financial instruments into mainstream practice. Recognising the complexity and iterative nature of systemic change does not diminish its feasibility; rather, it underscores the necessity of sustained, reflexive efforts by institutions like BNDES.

Future research should build on these insights by adopting longitudinal approaches to assess the long-term impacts of NDB initiatives on financial systems. Comparative studies across regions and institutional contexts could provide a deeper understanding of the enablers and barriers to institutional change. Additionally, governance challenges such as transparency, accountability, and equity must be further examined to ensure that institutional efforts align with global climate goals. By advancing these lines of inquiry, future research can help illuminate pathways for transforming financial systems to support climate action effectively.

4.9 References

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5 Discussion

This final chapter revisits the central question that guided this research: *How do institutional, discursive and political dynamics shape the trajectory of climate finance in Brazil?* Through an in-depth exploration of Brazil's climate finance, this thesis uncovers the interplay between institutional structures, stakeholder agency, and the ideas that shape the evolution of climate finance in Brazil. The findings illuminate how climate finance is not just a technical or financial mechanism but a deeply political and contested system (Pickering et al., 2017; Roberts et al., 2021; Venner et al., 2024), shaped by competing priorities, institutional legacies, and discursive strategies.

This chapter is structured to address the key themes and contributions of this research. First, it reflects on the research question that guided the research. Next, it examines three key contributions that serve as a unifying thread across the papers: the characterisation of climate finance as a contested political system, the dynamics of institutional change, and tensions and power asymmetries. It concludes by outlining implications for future academic research and policymaking.

5.1 Reflections on the research question

The research journey was shaped by my desire to understand how an emerging market country, with its distinctive emissions profile and socio-political and economic complexities, navigates the challenges of operationalising climate finance. While the original scope of the research aimed to include comparative analysis across multiple emerging economies, the constraints of the COVID-19 pandemic refocused the study solely on Brazil. This shift allowed for a deeper engagement with Brazil's national dynamics and a more focused exploration of the political and institutional dimensions of its climate finance system.

Existing research has extensively examined the national governance of climate change, focusing on the role of state institutions, policy networks, and regulatory frameworks in shaping climate action (Aamodt, 2018; Hochstetler, 2021; Lockwood, 2021; Lorenzoni & Benson, 2014). However, climate finance - an essential enabler of any meaningful climate response - remains significantly underexplored at the national level. Most studies on climate finance focus either on international mechanisms or in the role of developed countries in

financing global climate action (Wu et al., 2024). This international-centric approach has overlooked how climate finance actually evolves within national systems, particularly in emerging markets (Barnes, 2022).

Critical gaps remain in our understanding of how climate finance is structured, mobilised, and governed at the domestic level - the sphere where the most consequential decisions on funding climate mitigation and adaptation are made (Peterson & Skovgaard, 2019). Likewise, there is limited insight into how national actors - including governments, private financial institutions, and NGOs - navigate and negotiate climate finance arrangements within their own political, institutional, and market contexts. Without a clearer understanding of how climate finance is embedded within domestic economic, political, and institutional frameworks, efforts to scale up climate action risk being ineffective, as financial resources must be strategically aligned to flow toward climate-resilient investments.

By challenging the prevailing top-down approach to climate finance research, which often portrays domestic climate finance systems in developing and emerging economies as passive recipients of international flows (Ha et al., 2016), this thesis directly addresses these critical knowledge gaps. First, this research contributes to the growing body of literature on the politics of climate finance (Bracking, 2015b; Flossmann-Kraus, 2020; Peterson & Skovgaard, 2019; Pickering et al., 2017; Roberts & Weikmans, 2017; Roberts et al., 2021; Venner et al., 2024), by demonstrating that climate finance operates as a contested, fragmented, yet interconnected system at the national level. While most previous studies have examined specific climate finance mechanisms or actors, this thesis builds on Venner et al. (2024) and advances the field by conceptualising climate finance as a dynamic national system - one that is shaped by a complex interplay of state and non-state actors, each influencing its governance, priorities, and implementation.

This system is not merely a set of predefined policies or financial instruments, but rather an arena of negotiation and struggle (Venner et al., 2024), where a diverse set of actors – including state actors (public officials, regulators, and policymakers), private sector actors (financial institutions, businesses, investors), advocacy groups and NGOs (environmental organisations, think tanks), academics and research institutions, international organisations and donor agencies - continuously collaborate, contest and reshape the climate financial landscape.

Building on Venner et al. (2024), this thesis extends their insights by demonstrating how national climate finance systems do not evolve through a singular, linear process but rather through fragmented, multi-actor negotiations and shifting alliances. Rather than being shaped by top-down climate finance negotiations alone, these systems emerge at the intersection of institutional structures, political dynamics, and economic and ideological frameworks that influence how financial resources are governed. By bringing attention to the inherently political and negotiated nature of domestic climate finance, this research moves beyond discussions of technical financial flows and instead emphasises the power dynamics, institutional frictions, and governance struggles that define national climate finance systems. These governance struggles also reflect underlying, evolving configurations of actor interests. Economic, political, and sectoral interests are not fixed determinants but are continuously produced and reshaped through institutional arrangements and discursive contestation. In Brazil's case, the convergence of development, environmental, and financial narratives demonstrates how actors reinterpret their material stakes within changing political and ideational contexts.

This thesis also demonstrates that Brazil's climate finance system reflects the complex interaction of global climate objectives, national development priorities, and local socio-political and economic realities. For example, I show how political dynamics, including the influence of agribusiness lobbies and the country's heavy economic dependency on sectors such as agriculture and forestry, intersect with institutional and discursive shifts to shape how climate finance is mobilised and operationalised. The dominance of agribusiness is further compounded by deforestation and land-use conflicts, particularly in the Amazon, where land conversion for agriculture and cattle ranching often undermines conservation efforts funded by climate finance.

Shifts in political leadership also impact the prioritisation of climate finance, as evidenced by reduced federal support for environmental enforcement during certain administrations (Prizibisczki, 2022). These changes disrupt the continuity of climate finance initiatives, reflecting its contested nature (Hochstetler, 2021). At the same time, civil society organisations and indigenous groups play a crucial role in advocating for equitable practices, often resisting projects that fail to address social justice concerns (Leonardo Nassar de Oliveira, 2015). The involvement of private sector actors introduces another layer of complexity, as their emphasis on financial returns sometimes conflicts with the goals of public institutions and grassroots movements advocating for justice and equity.

In addition, this thesis engages with and advances institutional change theory, particularly within the context of climate finance governance. By integrating HI and DI, it offers a theoretically grounded explanation for why climate finance governance evolves incrementally rather than through radical transformation. Existing research has underscored the need to integrate institutional structures and ideational shifts to explain processes of institutional change (Flossmann-Kraus, 2020; Gillard, 2016; Huang, 2022; Kang, 2022; Lockwood, 2021; Lorenzoni & Benson, 2014; Ochieng et al., 2016). However, their combined explanatory power remains underexplored in climate finance governance. While HI highlights path dependence, institutional inertia, and structural constraints, DI emphasises the role of discourse in opening pathways for transformation - yet studies on climate finance have yet to fully theorise how these forces interact. I address this gap by demonstrating how historical legacies of development finance provide the foundation for Brazil's climate finance system, embedding it within established institutional structures and governance logics. At the same time, discursive shifts - such as reframing climate finance as an opportunity for national development or as a mechanism for global equity - create openings for institutional adaptation and policy evolution.

These dynamics, explored in Chapter 2, illustrate the importance of examining both structural continuity and ideational change to fully understand the trajectory of climate finance in Brazil. Rather than a linear or disruptive process, climate finance governance emerges through the interplay of stability and transformation, where institutional structures shape what is possible, while evolving discourses redefine what is politically and economically viable (Schmidt, 2008).

Building on this, chapter 3 introduces the concept of climate *finances*, revealing its role as a boundary object that accommodates multiple and often conflicting interpretations among diverse actors. Rather than a singular, fixed category, climate finances operate as a flexible yet contested concept, allowing different stakeholders to engage with it in ways that reflect their own priorities and interests. Public institutions often frame climate finance as a development tool, integrating it into national economic strategies. Private sector actors often emphasise financial returns, investment security, and risk management, reinforcing market-driven approaches. Meanwhile, civil society groups prioritise justice, equity, and environmental integrity, advocating for redistributive and accountability mechanisms. This interpretive flexibility enables cooperation among actors operating within a fragmented governance system

(Leigh Star, 2010), as it allows them to engage with climate finance as a shared reference point despite their divergent objectives.

However, this very flexibility also obscures underlying power asymmetries and depoliticises contentious trade-offs (Schutter et al., 2021). By accommodating conflicting priorities, climate finance can mask structural tensions - between economic growth and environmental protection, market-driven mechanisms and distributive justice, or state-led interventions and private-sector control. This depoliticisation tends to reinforces dominant financial logics - centered on efficiency, risk mitigation, and private investment incentives - allowing them to remain unchallenged and limiting the space for equity-driven or transformative approaches (Bracking, 2015b).

Also, this thesis advances debates on institutional change by conceptualising NDBs as strategic agents of climate finance governance, rather than passive intermediaries of financial flows. While existing literature has often focused on the functional roles of NDBs in addressing climate change (Griffith-Jones et al., 2020; Griffith-Jones & Ocampo, 2018; Smallridge et al., 2012; Trabacchi et al., 2017), this research theorises their role as institutional actors engaged in field-level transformation (Hoffman, 2006). Chapter 4 foregrounds the BNDES as a case study to examine how NDBs navigate and reshape climate finance systems. BNDES exemplifies how institutional actors engage in institutional work (Beunen & Patterson, 2019) to align global climate objectives with domestic priorities, such as fostering innovation, building capacity, and facilitating low-carbon investments.

Beyond its financial function, I show that BNDES also performs critical governance roles including norm-setting, coalition-building, and the translation of international climate finance agendas into nationally relevant frameworks. However, while BNDES has played a pivotal role in shaping Brazil's climate finance landscape, this research highlights the institutional constraints that limit its transformative potential. Entrenched institutional legacies, fragmented governance structures, and competing political and economic priorities create barriers that hinder more ambitious interventions. By evaluating both the enabling and constraining factors shaping BNDES's actions, this research moves beyond studies that focus on the roles of NDBs, instead offering a more dynamic account of their institutional agency in climate finance.

Taken together, these insights underscore the complex interplay between structural stability, discursive evolution, and stakeholder agency in shaping climate finance governance. This interplay not only determines the trajectory of climate finance in Brazil but also reveals its inherently political and contested nature. Rather, climate finance emerges as a negotiated space where institutional constraints, shifting discourses, and actor-driven strategies interact - sometimes reinforcing existing power structures, while at other times opening avenues for transformation.

5.2 Contributions

In this section, I outline the key contributions of this thesis, organised around three central themes: the contested and plural nature of climate finance, the dynamics of institutional change, and the tensions and power asymmetries embedded in climate finance governance. Drawing on relevant literature and the empirical findings of this research, I demonstrate how these contributions advance existing debates and offer new perspectives on the complexities of climate finance systems. Table 5.1 provides a summary of these contributions.

Table 5-1 Key contributions of the thesis.

Theme	Key contributions
Climate finance as a contested plural object	- Novel to the literature, introduces the concept of climate *finances* as inherently plural, fragmented, and contested, illustrating its interpretive flexibility which both masks power asymmetries and enables the politicization of contested issues. - Extends Venner et al. (2024) by positioning Brazil's climate finance system as a case study of a "messy political space", shaped by the intersection of global governance mechanisms, national institutional structures, and localised socio-economic and political realities. - Advances Pickering et al. (2017) by analysing how domestic institutions engage with fragmented climate finance systems.
Institutional change	- Advances institutional change theory by integrating HI and DI to explain why climate finance governance evolves incrementally rather than through radical transformation. - Extends Zhang (2022) by moving beyond the role of NDBs as intermediaries and policy coordinators to conceptualising them as institutional actors contributing to field-level transformation.
Tensions and power asymmetries	- Extends work on the politics of climate finance (e.g. Bracking, 2015b; Flossmann-Kraus, 2020; Gomez-Echeverri, 2018; Roberts & Weikmans, 2017) by theorising

	climate finance as a boundary object - a flexible yet contested concept that accommodates diverse interests while simultaneously reinforcing structural inequalities. - Builds on research on financial governance asymmetries (e.g. Pickering et al., 2017; Roberts & Weikmans, 2017) by showing that while climate finance's flexibility creates spaces for contestation, financial flows remain structured by elite influence and institutional path dependencies.

5.2.1 Climate finance as a contested political object

Central to this thesis is the understanding of climate finance as a contested political object, rather than a purely technical or financial issue. By examining Brazil's climate finance system, this research contributes to broader debates on the politics of climate finance (e.g. Bracking, 2015b; Flossmann-Kraus, 2020; Gomez-Echeverri, 2018; Roberts & Weikmans, 2017). While scholarship on sustainable finance has begun to explore its contested nature and the competing frames that shape its evolution (Dimmelmeier, 2023), far less attention has been given to how these dynamics unfold in climate finance - particularly in emerging markets, where domestic institutions, political actors, and governance structures actively shape its trajectory.

This thesis builds on these discussions by demonstrating that climate finance at the national level is not merely an extension of global financial dynamics but a dynamic and power-laden governance space where financial priorities, regulatory frameworks, and institutional structures are continuously negotiated and reconfigured. Rather than a neutral enabler of climate action, climate finance in Brazil emerges as an *arena* (Venner et al., 2024), where competing interests, institutional constraints, and political struggles shape its evolution. These competing interests are not merely material but discursively mediated, as actors articulate their positions through narratives of opportunity, competitiveness, or justice, depending on their institutional and sectoral contexts. This interplay between discourse and interest formation helps explain how certain frames, such as "green growth," achieve legitimacy while more redistributive visions remain marginal. Across these themes, the thesis also highlights that actor interests mediate the relationship between institutions and ideas. Interests help explain why some discursive shifts gain traction while others remain symbolic, and why institutional adaptations often align with dominant economic priorities. This relational understanding situates interests within, rather than outside, institutional and discursive dynamics.

To make this contribution, this thesis builds on and extends works such as Pickering et al. (2017) and Venner et al. (2024), which highlight the fragmented, multi-scalar, and power-laden nature of climate finance. While Venner et al. (2024) emphasise structural inequalities in adaptation finance, particularly how financial flows are shaped by global power asymmetries and elite decision-making, this research advances the debate by providing an institutionally grounded perspective. Rather than focusing solely on external financial dependencies and structural constraints, this thesis demonstrates how domestic institutions actively engage in institutional work to shape climate finance trajectories at the national level. This perspective is crucial because it highlights the intermediary role of national institutions in mediating power asymmetries, structuring financial governance, and influencing how climate finance is operationalised in practice. By foregrounding domestic agency, this research bridges the gap between macro-level structural analyses and micro-level institutional dynamics, offering a more detailed understanding of how climate finance is embedded within national governance frameworks.

At the same time, this thesis extends the insights of Pickering et al. (2017), who examine the fragmentation and polycentric nature of climate finance governance, showing how financial flows are distributed across multiple institutional arrangements rather than centralised in a single global mechanism. While their work highlights the complexity of climate finance at the international level, this research advances the discussion by analysing how domestic institutions strategically engage with and restructure fragmented climate finance governance in practice. In doing so, it demonstrates that emerging economies are not merely reactive to global finance structures but actively work to reshape climate finance governance from within.

The concept of climate *finances*, introduced in this research, underscores this contribution. By understanding climate finance as a boundary object (Leigh Star, 2010), this thesis reveals its adaptability and flexibility - qualities that allow diverse stakeholders to engage with it while simultaneously obscuring deeper contestations and reinforcing power asymmetries. While previous literature has treated climate finance as a largely functional instrument, this thesis builds on Leigh Star's (2010) work on boundary objects to show that its flexibility enables depoliticisation processes, in which power relations and distributional conflicts are masked (Schutter et al., 2021). At the same time, however, the contested nature of climate finance creates some opportunities for politicisation, allowing marginal actors to challenge dominant narratives and advocate for alternative governance arrangements. This interplay between

depoliticisation and politicisation highlights the tensions inherent in climate finance governance and further illustrates how climate finance is both an instrument of cooperation and a site of contestation.

Finally, Brazil's climate finance system exemplifies what Venner et al. (2024) describe as a "messy political space" (Venner et al., 2024, p. 48), where various realities collide and competing interests struggle for dominance. The tensions between profit-driven objectives and development- and justice-oriented goals illustrate the inherent complexity of balancing diverse, often conflicting priorities in climate finance governance. By navigating these tensions, Brazil's climate finance system highlights the need for governance approaches that account for the pluralistic, dynamic, and deeply political nature of climate finance. Rather than treating climate finance as a technical process of resource allocation, this thesis provides a theoretically and empirically grounded perspective that foregrounds the institutional and political struggles that define climate finance trajectories.

5.2.2 Institutional change

Institutional change is a central theme across this thesis, providing a lens to analyse how climate finance governance evolves over time amid structural constraints, ideational shifts, and actor-driven strategies. Institutional change is often conceptualised within institutionalist theory as the dynamic process through which established rules, norms, and structures are altered over time (Beland, 2009; James Mahoney & Kathleen Thelen, 2009; Micelotta et al., 2017). This transformation can occur through critical junctures, where abrupt shifts redefine institutional frameworks, or through gradual, incremental adaptations, where cumulative small changes ultimately lead to significant transformation (J. Mahoney & K. Thelen, 2009; Pierson, 2004). Institutions are thus shaped by both stability and change, reflecting the tension between historical legacies and the agency of actors navigating them (Hall & Taylor, 1996).

This thesis engages with and extends these debates across all three main papers, each offering a distinct perspective on the processes and dynamics of institutional change within climate finance governance. By examining historical legacies, discursive strategies, and the agency of key institutional actors, this research contributes to a deeper understanding of how institutions evolve in response to both global pressures and domestic political-economic realities. More specifically, this thesis foregrounds the role of power asymmetries in shaping institutional

trajectories, reinforcing arguments that institutional change in sustainability transitions is inherently political (Andrews-Speed, 2016; Lockwood, 2022).

Chapter 2 examines institutional change in climate finance by HI and DI to demonstrate how institutional structures and ideational shifts interact to shape Brazil's climate finance trajectory. While institutional path dependencies provide continuity (Thelen, 1999), this thesis highlights that discursive shifts - such as reframing low-carbon practices as economic opportunities - can create windows for change. However, the impact of such shifts remains constrained by entrenched governance frameworks and dominant financial logics. This paper contributes to existing institutional change debates in climate change governance (Flossmann-Kraus, 2020; Gillard, 2016; Lockwood, 2022) by showing that while discourse can open possibilities for transformation, pre-existing institutional structures ultimately shape the scope and direction of change.

Chapter 3 examines how climate finance functions as a boundary object, demonstrating that it serves both as a stabilising mechanism for collaboration and a site of political contestation. Institutional change, in this case, can occur through strategic reframing and negotiation, where powerful actors shape governance structures while marginalised groups struggle for recognition and influence. By analysing how different actors interpret and instrumentalise climate finance, this research provides new insights into how contestation over meaning can drive or constrain institutional adaptation (Roberts & Weikmans, 2017; Weikmans & Roberts, 2019; Weikmans et al., 2020).

Chapter 4 offers a case study of how individual institutional actors contribute to institutional change, illustrating the incremental nature of institutional transformation in climate finance governance. This research bridges micro- and macro-level analyses by linking institutional work (Lawrence & Suddaby, 2006) with field-level transformation (Hoffman, 1999) highlighting the relational and multi-scalar nature of institutional change. By examining how development banks engage in institutional work to shape climate finance governance, this study advances debates on how climate finance institutions adapt within structurally embedded constraints. This contribution extends existing scholarship by demonstrating that institutional transformation in climate finance governance occurs through iterative negotiation and adaptation rather than through radical systemic change.

Together, these studies contribute to broader debates in institutional change theory by demonstrating that institutional evolution is neither linear nor uniform but rather characterised by negotiation, contestation, and the uneven exercise of agency. Mahoney and Thelen (2010) emphasise that change often emerges through gradual adaptations within existing structures, while Schmidt (2008) highlights the transformative potential of discourse in reshaping institutions. This thesis builds on these insights by empirically demonstrating how institutional change occurs at the intersection of structural continuity and ideational evolution, specifically within the contested governance space of climate finance.

5.2.2.1 Path dependence or "stickiness of things"

Institutional frameworks are inherently resistant to change, often shaped by entrenched logics, historical trajectories, and established practices that create path dependency (Pierson, 2004). Path dependency refers to how past decisions and institutional arrangements constrain the range of future possibilities, locking governance systems into particular trajectories (Thelen, 1999). In the context of Brazil's climate finance system, this phenomenon is evident in the persistence of development finance practices and the dominance of structurally entrenched sectors such as agriculture and forestry, which both shape and limit the scope for transformative change.

What systems resist change

HI emphasises that institutions are not static. They evolve, but their evolution is heavily influenced by self-reinforcing mechanisms that create stability and resistance to change (J. Mahoney & K. Thelen, 2009; Van Der Heijden, 2010). While institutional stability can enhance efficiency, it can also perpetuate inefficiencies and inequities (Pierson, 2004). In Brazil, this resistance to change is particularly evident in climate finance trajectories, where deeply embedded practices, vested interests, and power asymmetries constrain systemic transformation. This thesis contributes to scholarly debates by demonstrating that institutional inertia in climate finance is not only shaped by structural constraints but also actively reinforced by financial mechanisms, sectoral interests, and discursive lock-in.

One of the most significant barriers to institutional change in Brazil's climate finance system is its structural dependence on state-led financial mechanisms, which has reinforced path

dependency in financial flows and investment behaviour. Historically, long-term financing in Brazil has been dominated by state-owned banks like BNDES and Banco do Brasil, limiting the space for private capital to play a transformative role (Torres Filho et al., 2014). The availability of public credit for traditional agricultural practices has further created inertia, as financial institutions continue to prioritise low-risk, well-established sectors over innovative, climate-aligned investments (Hochstetler, 2021). This reliance on state-driven financial mechanisms has constrained the emergence of alternative financial instruments, effectively crowding out private sector participation and reinforcing existing industrial and agricultural pathways (Musacchio et al., 2014).

Beyond financial mechanisms, sectoral interests - particularly those tied to agribusiness - play a reinforcing role by shaping policy priorities to align with economic competitiveness rather than climate change considerations. These actors exert influence not only through formal lobbying but also through political coalitions, shaping Brazil's climate governance to maintain the status quo (Aamodt, 2015). This research builds on existing discussions of institutional resistance in climate governance (e.g. Flossmann-Kraus, 2020) by empirically demonstrating how economic sectors strategically reinforce inertia, limiting the scope of climate finance initiatives and steering investments toward familiar financial structures.

In addition to structural and sectoral barriers, discursive lock-in further reinforces institutional inertia within Brazil's climate finance system. The dominant framing of climate finance remains technocratic and growth-oriented, emphasising financial returns, technological innovation, and economic competitiveness over justice, equity, and socio-environmental considerations. This discourse, largely shaped by economic and political elites, actively sidelines alternative narratives that challenge dominant development paradigms. As Buschmann (2019) argues, discourse is not merely a reflection of institutional and technological arrangements but an active force that structures and sustains carbon lock-in. In the case of climate finance, dominant financial logics and risk-based discourses limit the space for more redistributive and transformative financial governance models.

For instance, while international mechanisms such as REDD+ helped reframe addressing deforestation as an economic opportunity, this reframing often aligned with Brazil's broader economic interests rather than challenging dominant development paradigms. Similarly, while private sector engagement in climate finance has gained traction discursively, the reality remains that state-led financial mechanisms continue to dominate actual financial flows.

Brazil's case illustrates Bracking's (2021) argument that financialised climate governance increasingly consolidates power among market actors, prioritising efficiency and return on investment while sidelining considerations of equity and democratic accountability. This research builds on these insights by revealing that discursive shifts may signal the potential for transformation but, in practice, often reinforce existing power structures rather than disrupt them (Bracking & Leffel, 2021; Buschmann & Oels, 2019; Simoens et al., 2022).

Opportunities for overcoming inertia

Despite the significant barriers to institutional change, this thesis shows that several mechanisms create windows of opportunity for transformation in Brazil's climate finance system. One key driver is the shifting priorities of international finance, which can challenge entrenched practices and introduce new governance pressures. For example, increased international scrutiny of deforestation-linked financial flows has placed pressure on both private and public institutions in Brazil to reassess their investment strategies, thereby opening space for alternative approaches to climate finance. These shifts reflect broader dynamics in climate finance governance, where transnational financial norms and regulatory mechanisms increasingly shape domestic financial practices (Sierra & Hochstetler, 2017). While much of the literature has examined the role of private finance in driving sustainability transitions, this research highlights the enduring role of public entities in navigating and mitigating market failures, particularly within neoliberal economic contexts where financial markets alone fail to allocate capital toward climate priorities (Bracking, 2015a).

Another important avenue for change is strategic institutional work. Actors such as BNDES have demonstrated the potential to drive incremental transformation by engaging in forms of institutional work such as enabling, embedding and legitimising (Lawrence & Suddaby, 2006). BNDES's management of the Amazon Fund and the National Climate Fund illustrates how development banks can leverage external funding to support climate-aligned initiatives, even within broader systems that resist change. While existing literature has examined the role of international climate finance institutions, this thesis foregrounds the particular role of development banks as key intermediaries in institutional adaptation. By focusing on how NDBs strategically operate within entrenched financial landscapes, this research provides a more detailed understanding of their agency, demonstrating that while development banks often reinforce institutional inertia, they also serve as critical agents for experimentation and governance innovation.

Finally, as it will be discussed in the next section, although constrained by discursive lock-in, ideas also play a crucial role in shaping institutional pathways. Ideas shape how climate finance is understood and implemented, influencing policy priorities, institutional behaviour, and the framing of financial mechanisms (Schmidt, 2008). While dominant discourses tend to reinforce market-based solutions and economic competitiveness, alternative narratives - such as positioning climate finance as a tool for social justice and equity - have emerged within civil society and international advocacy spaces. These competing narratives create moments of contestation, which, when aligned with political or financial incentives, can open policy windows for more progressive institutional reforms. These competing ideas also serve as vehicles through which actor interests are articulated and redefined. Financial institutions, agribusiness actors, and civil society groups each frame their own interests and demonstrate how material priorities are reinterpreted through discourse rather than operating outside it.

All in all, while institutional inertia remains a defining characteristic of Brazil's climate finance system, this research highlights where change seems to be possible through strategic interventions that align global pressures, local priorities, and alternative discourses. However, as Pierson (2000) cautions, such transformations are rarely immediate or linear. Institutional change is a contested, negotiated process, requiring sustained effort and the navigation of significant power struggles.

5.2.2.2 How ideas matter

The significance of ideas in shaping institutional and governance systems has been a cornerstone of DI (Schmidt, 2008). Ideas matter because they provide the frameworks through which actors interpret challenges, define solutions, and articulate their interests. In the context of Brazil's climate finance system, ideas influence how institutional and political actors understand and respond to complex governance problems. As Schmidt (2008) argues, ideas serve both a cognitive function - helping actors make sense of their environment - and a normative function - guiding what they perceive as appropriate or desirable. Overall, in Brazil, climate finance has been framed in competing ways: as a tool for economic development, a means to achieve global equity, or an instrument of environmental sustainability. These competing narratives influence the design and implementation of policies, the allocation of resources, and the priorities of key actors such as BNDES.

While HI emphasises structural constraints and path dependency, DI highlights how ideational shifts can act as catalysts for transformation. The reframing of deforestation from a national development issue to a global climate emergency illustrates this process. This shift has altered how financial mechanisms like the Amazon Fund are perceived, increasing international scrutiny and reshaping expectations for Brazilian institutions. Similarly, evolving narratives around private sector engagement in climate finance have influenced investment patterns and governance models, though they remain embedded in pre-existing institutional structures. This thesis builds on these insights by demonstrating that ideas are not just abstract narratives but active forces that interact with institutional and political realities, shaping both stability and change.

Stakeholders interpret the same ideas in divergent ways, reinforcing contestation and ambiguity. For instance, climate finance is framed differently depending on the actor: some view it as an economic development tool, others as a justice mechanism, and others as a financial investment strategy. These multiple interpretations coexist within institutional settings, shaping governance decisions in often contradictory ways. Drawing on boundary objects (Leigh Star, 2010; Star, 1989), this research highlights how climate finance serves as a flexible but contested policy instrument, facilitating coordination across different actor groups while allowing for strategic reinterpretation. However, as Schmidt (2008) warns, the power of ideas is not independent; it operates within structural and institutional constraints, requiring actors to strategically leverage discourse to navigate entrenched systems.

By exploring the role of ideas in shaping Brazil's climate finance system, this research contributes to broader discussions on the cognitive and normative dimensions of governance and highlights the critical interplay between structure, agency, and discourse in driving institutional change.

5.2.3 Tensions and power asymmetries

This thesis has demonstrated that climate finance trajectories are shaped by tensions and power asymmetries, which in turn influence stakeholder interactions and governance outcomes. These asymmetries stem from competing stakeholder priorities, contested definitions of climate finance, and a fragmented governance landscape. However, they are also deeply political, as climate finance is not a neutral mechanism but a contested political space where different actors

struggle to define, control, and allocate financial resources (Pickering et al., 2017; Roberts et al., 2021; Venner et al., 2024).

In Brazil, climate finance has been framed in conflicting ways: the government positions it as a tool for national development and international diplomacy, the private sector prioritises financial risk mitigation and market-driven solutions, while civil society advocates push for equity and local empowerment. These tensions reflect broader critiques of governance mechanisms that depoliticise contentious issues by framing them as technical solutions (Bracking, 2015b; Swyngedouw, 2011). Thus, this thesis extends these debates by demonstrating how depoliticisation operates not just at the global level but also within domestic financial institutions, where technical framings obscure the contested nature of financial governance.

A central tension in climate finance governance is the conflict between market-driven financial priorities and justice-oriented climate action. Private sector actors and financial institutions frame climate finance as an economic opportunity, emphasising risk reduction, profitability, and scalability. In contrast, civil society groups and local communities highlight its role in promoting environmental and social justice, demanding more inclusive decision-making and greater transparency in how funds are allocated. However, as Mason (2020) highlights, transparency and accountability mechanisms - often promoted as essential tools to democratise governance - do not inherently lead to greater empowerment or equity. Instead, they frequently function as mechanisms that reinforce existing power asymmetries by legitimising the authority of dominant actors. Within Brazil's climate finance landscape, transparency requirements, such as public financial disclosures, increase visibility but do not necessarily translate into participatory decision-making or redistributive financial flows (Furtado, 2016; Gianetti & Ferreira Filho, 2021). Mason (2020) argues that transparency, when detached from mechanisms of real accountability, can serve as a "disciplinary governance tool," maintaining institutional inertia rather than disrupting it (Mason, 2020).

By foregrounding these tensions, this thesis contributes to broader debates on climate finance governance in three key ways. First, it demonstrates that climate finance governance is not only fragmented (Pickering et al., 2017; Roberts & Weikmans, 2017) but also often structured by power asymmetries, privileging certain actors and priorities while marginalising others. Second, it extends existing critiques of depoliticisation (Bracking, 2015b; Swyngedouw, 2011)

by illustrating how financial governance processes obscure power struggles while reinforcing dominant financial logics, limiting the scope for more transformative approaches. Third, it adds an emerging economy perspective to discussions on climate finance power asymmetries, showing how countries like Brazil actively negotiate, reframe, and contest climate finance flows, rather than simply receiving them passively. This challenges Global North-centric narratives that often overlook the agency of emerging economies in shaping financial governance (Barnes, 2022), revealing how domestic actors strategically engage with and adapt climate finance mechanisms in ways that reflect national development priorities, financial constraints, and political realities.

5.3 Policy relevance, limitations, and future work

5.3.1 Policy relevance

By shifting the climate finance debate from an international, donor-recipient perspective to a domestic, system-level analysis, this research offers critical insights for policymakers, financial regulators, and development institutions. It provides valuable insights into how policymakers can strengthen regulatory frameworks, enhance financial mobilisation, and promote inclusive, long-term climate-related transitions. The findings contribute to three key policy areas: institutional governance, financial system transformation, and climate finance equity.

A core finding of this research is that climate finance governance in Brazil has been shaped by both structural factors (institutional rules, policies, and regulatory frameworks) and discursive shifts (the changing ways climate finance is framed and understood by key actors). The interplay between these dimensions has led to moments of institutional progress but also episodes of instability, where political shifts and regulatory uncertainties have undermined the evolution of climate finance.

To address these challenges, policymakers should prioritise institutional resilience in climate finance governance. First, climate finance should not be treated as a sector-specific policy but as an integral component of national economic and financial planning. Ministries of Finance, Planning, and Industry should coordinate with environmental agencies to ensure alignment between climate finance policies and broader economic strategies. Also, given the contested nature of climate finance definitions, clear monitoring, reporting, and verification (MRV)

frameworks should be developed to track financial flows and ensure alignment with climate goals.

Brazil's financial landscape has witnessed important shifts in climate finance, including the growing role of NDBs, private sector engagement, and emerging financial instruments such as green bonds and blended finance mechanisms. However, challenges remain in scaling up these initiatives and ensuring that they effectively drive systemic financial transformation. To accelerate financial system transformation, policymakers should leverage NDBs as institutional anchors for climate finance. As demonstrated in this research, BNDES plays a critical role in facilitating climate finance, embedding climate-related norms, and mobilising capital for low-carbon projects. Strengthening the mandate of development banks to support climate-aligned investments - including through concessional lending, de-risking mechanisms, and innovative financial instruments - can amplify their role in transitioning to a low-carbon economy.

Finally, while climate finance is often positioned as a tool for sustainable development, this research reveals that its benefits are not evenly distributed. Marginalised groups - such as smallholder farmers, indigenous communities, and local enterprises - face barriers in accessing climate finance due to bureaucratic hurdles, lack of financial literacy, and restrictive eligibility criteria. To enhance the inclusivity of climate finance, policymakers should expand access to concessional finance for underserved communities, prioritising mechanisms that cater to marginalised actors, including microfinance programmes, credit guarantee schemes, and technical assistance for local organisations.

Strengthening participatory governance in climate finance decision-making is also crucial. Engaging the civil society in the design and implementation of climate finance programmes helps ensure that resources align with local priorities and needs. For example, the Amazon Fund incorporates a formal participatory governance structure through its Guidance Committee (COFA), which includes representatives from federal and state governments, civil society, and indigenous peoples. Similarly, the National Climate Fund also involves multiple stakeholders in setting investment priorities and has supported projects led by community-based organisations. However, while these governance frameworks prescribe inclusion, their implementation has not always matched their design. In practice, there have been instances where decision-making processes lacked meaningful consultation or failed to fully reflect the

voices of affected communities. Strengthening these participatory mechanisms beyond formal representation is essential to improving transparency, accountability, and the equitable distribution of climate finance in Brazil.

5.3.2 Reflections and limitations

This research has provided valuable insights into Brazil's climate finance system, yet it is essential to acknowledge its challenges and limitations. While efforts were made to ensure methodological rigor, reflexivity, and triangulation, certain constraints inevitably shaped the scope and interpretation of the findings. These limitations primarily emerged from methodological, theoretical, and contextual factors, each influencing the depth and breadth of the analysis in distinct ways.

A central methodological challenge was the reliance on interviews as a primary data source to understand stakeholder perspectives on climate finance. The nature of retrospective accounts meant that some participants' recollections may have been shaped by later developments or prevailing narratives, introducing the risk of recall bias (Raphael, 1987). Although cross-referencing interview data with policy documents, reports, and academic literature helped mitigate this issue, verifying certain events or institutional shifts remained difficult, particularly when only a limited number of individuals had direct knowledge of them. In such cases, a critical approach was adopted, using the available data cautiously while avoiding overreliance on unverifiable claims (Willig, 2014).

The complexity of climate finance system, characterised by overlapping institutional, political, and discursive influences, also posed analytical challenges. The study's interpretation of climate finance trajectories, particularly in Chapter 2, was framed through historical and discursive institutionalism. While this approach provided a structured means of understanding change over time, it inevitably foregrounded certain explanatory factors while potentially overlooking others. The interplay of policy evolution, financial flows, and political shifts remains multifaceted, making it difficult to isolate causality with absolute certainty. As a result, some interpretations remain open to debate and could benefit from further empirical validation.

Additionally, practical constraints such as participant availability and willingness to engage meant that perspectives from less visible or marginalised actors, such as smallholder farmers or grassroots organisations, were less represented than those from central institutional players.

Despite efforts to capture a diverse range of viewpoints, the study inevitably reflects the dominant narratives within Brazil's climate finance landscape rather than the full spectrum of experiences across all affected groups.

The study's temporal scope also represents an inherent limitation. By focusing on specific periods in Brazil's climate finance evolution, the research offers a detailed examination of key moments but does not provide an account of how these processes will continue to unfold. This is particularly relevant to Chapter 4, which explores the role of BNDES in enabling field-level transformation - a process that, by nature, unfolds over extended periods. The findings should therefore not be seen as a definitive account of long-term systemic change. Future research will be needed to assess how these dynamics evolve over time and to capture the enduring impacts of institutional and financial transformations.

Lastly, my dual role as both researcher and practitioner required constant reflexivity to minimise potential biases in framing, data interpretation, and analysis (Finlay, 2002). While my background granted unique insights and access to key informants, it also necessitated scrutiny of how my prior experiences influenced the study's perspectives. Engaging with multiple data sources and maintaining a critical approach to stakeholder narratives were essential strategies to enhance analytical rigor and objectivity (Knott et al., 2022).

Despite these challenges, the study contributes valuable knowledge to the field of climate finance, particularly regarding institutional and discursive dynamics in Brazil. The limitations discussed here do not undermine the validity of the findings but rather highlight areas for further exploration. Future research could extend this work by incorporating additional voices, expanding the temporal scope, and employing complementary methodologies to further unpack the complexities of climate finance in Brazil.

5.3.3 Future work

This research has provided new insights into the political dimensions of climate finance in Brazil, highlighting the interplay between institutional structures, discursive shifts, and stakeholder dynamics. However, several areas warrant further exploration to deepen our understanding of climate finance governance, its long-term trajectories, and its broader implications. Future research should build on these findings by addressing the following key areas.

First, this study has primarily focused on the period from 1995 to 2020, tracing the evolution of climate finance in Brazil through moments of stability and change. However, climate finance is a dynamic and evolving field, shaped by shifting political landscapes, economic crises, and global climate commitments. Future research should extend the temporal scope to assess how recent developments - such as Brazil's renewed international engagement on climate policy and emerging financial instruments - reshape its climate finance landscape. Longitudinal studies could provide valuable insights into whether institutional gains are sustained or reversed over time.

Additionally, comparative research could explore how Brazil's experience with climate finance compares to other emerging economies. While this study has provided a national-level analysis, cross-country comparisons could illuminate broader trends, divergences, and lessons from different governance models. For example, examining the role of NDBs in Brazil versus other Latin American countries could highlight structural and policy innovations that may enhance the effectiveness of climate finance strategies.

Building on insights from Chapter 3, which examined climate finance as a boundary object, future research should further investigate how different stakeholders define, contest, and operationalise climate finance in various institutional settings. The study highlighted how climate finance is simultaneously depoliticised and politicised within Brazil's system, creating both opportunities for consensus and sites of contention. However, additional research is needed to explore how these contested definitions shape policy outcomes and financial flows, particularly in the context of emerging financial instruments such as carbon markets, green bonds, and blended finance mechanisms.

Further inquiries could focus on how financial institutions, policymakers, and civil society actors strategically deploy different framings of climate finance to influence regulatory frameworks, secure funding, or advance specific policy agendas. Understanding the mechanisms through which climate finance definitions evolve - and the power dynamics embedded in these processes - can provide crucial insights for designing more transparent and accountable financial governance structures.

Chapter 4 emphasised the role of the BNDES in facilitating climate finance, demonstrating its contributions to field-level transformation through enabling, embedding, educating, and

legitimising efforts. While the study highlighted both successes and constraints, further research is needed to assess the long-term impact of development banks on long-term institutional change. For instance, a key question for future work is how development banks can move beyond project-level interventions to drive systemic shifts in financial governance. Are there models of institutional coordination that enable NDBs to sustain climate-aligned financial practices despite political volatility? How can they better integrate climate risk considerations across financial markets to ensure long-term economic transitions?

5.4 Conclusion

This thesis has demonstrated that climate finance is not just a technical or financial mechanism but a deeply political and contested object. Through an in-depth examination of Brazil, this research has shown that climate finance is shaped by institutional structures, stakeholder agency, and evolving ideas, rather than simply responding to international financial flows.
A key contribution of this thesis is its conceptualisation of climate finance as a contested political object, shaped by conflicting priorities and power asymmetries. While flexibility in climate finance allows for collaboration among diverse actors, it also reinforces existing financial and governance structures, often depoliticising contentious trade-offs. By shifting the focus to the national level, this research highlights how domestic institutions actively engage in shaping and contesting climate finance, rather than being passive recipients of global finance.

This thesis also advances institutional change theory by integrating HI and DI to explain why climate finance governance evolves incrementally rather than through radical transformation. While institutional path dependencies provide continuity and constrain change, discursive shifts create opportunities for adaptation, though often within pre-existing governance constraints. By showing how structural legacies, evolving discourses, and actor strategies interact, this research provides a more nuanced understanding of institutional change in climate finance. The inclusion of actor interests as contextually produced and discursively mediated further enriches this understanding. It reveals that stability and change in climate finance governance depend on how actors align their evolving interests with prevailing institutional and ideational contexts.

A third key contribution is the analysis of tensions and power asymmetries within climate finance governance. The findings reveal how competing narratives shape financial flows and

policy implementation. This reflects broader governance challenges, where financial logics and market-driven solutions often dominate, while equity and justice concerns remain secondary.

This research has shown that climate finance is not neutral - it is deeply shaped by politics, institutions, and discourse. The case of Brazil demonstrates that emerging economies are not passive actors but actively negotiate, adapt, and shape climate finance governance. Recognising these dynamics is essential for designing more effective and equitable climate finance mechanisms that align financial flows with climate and development priorities.

5.5 References

Please note that this section provides a list of all sources cited throughout the thesis. Additional reference sections have been included within relevant chapters.

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Appendices

Appendix A: Sample consent form for participants

National Financial Systems and Climate Change in Emerging Market Economies

Fernanda Gimenes
Department of Geography and Environment, LSE

Information for participants
Thank you for considering participating in this study. This information sheet outlines the purpose of the study and provides a description of your involvement and rights as a participant.

1. What is the research about?
This research examines national approaches to climate finance. The aim of this research is to discuss the factors that shape national approaches to climate finance in emerging market countries.

2. Do I have to take part?
It is up to you to decide whether or not to take part. You do not have to take part if you do not want to. If you do decide to take part I will ask you to sign a consent form which you can sign and return in advance of the interview or sign at the meeting.

3. What will my involvement be?
You will be asked to take part in an interview about your experience on climate finance in Brazil, the actors, institutions, and drivers involved. It should take approximately 45 minutes.

4. How do I withdraw from the study?
You can withdraw from the study at any point until April 2020, when I will begin analysis of the data, without having to give a reason. If any questions during the interview make you feel uncomfortable, you do not have to answer them.

5. What will my information be used for?
I will use the collected information for my PhD research and academic papers.

6. Will my taking part and my data be kept confidential? Will it be anonymised?
The records from this study will be kept as confidential as possible. Only myself and my PhD supervisor will have access to the files and any recordings. Your data will be anonymised – your name will not be used in any reports or publications resulting from the study. All digital files, transcripts and summaries will be given codes and stored separately from any names or other direct identification of participants.

8. Who has reviewed this study?

This study has undergone ethics review in accordance with the LSE Research Ethics Policy and Procedure.

9. Data Protection Privacy Notice
The LSE Research Privacy Policy can be found at:
https://info.lse.ac.uk/staff/divisions/Secretarys- Division/Assets/Documents/Information-Records-Management/Privacy-Notice-for-Research-v1.1.pdf

10. What if I have a question or complaint?
If you have any questions regarding this study please contact the researcher, Fernanda Gimenes, on f.sousa- gimenes@lse.ac.uk. If you have any concerns or complaints regarding the conduct of this research, please contact the LSE Research Governance Manager via research.ethics@lse.ac.uk.

If you are happy to take part in this study, please sign the consent sheet attached.

CONSENT FORM

Research Project: National Financial Systems and Climate Change in Emerging Market Economies

Researcher: Fernanda Gimenes

PARTICIPATION IN THIS RESEARCH STUDY IS VOLUNTARY

I have read and understood the study information, or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.	YES/NO
I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and that I can withdraw from the study at any time up until January 2020, without having to give a reason.	YES/NO
I agree to the interview being audio recorded.	YES/NO
I understand that the information I provide will be used for research publication, and that the information will be anonymised.	YES/NO
I agree that my anonymised information can be quoted in research outputs.	YES/NO
I understand that any personal information that can identify me – such as my name - will be kept confidential and not shared with anyone beyond the study team.	YES/NO

Please retain a copy of this consent form.

Participant name:

Signature: _____ Date _____

Interviewer name:

Signature:_____ Date _____

For further information, please contact: Fernanda Gimenes, f.sousa-gimenes@lse.ac.uk

Appendix B: Preliminary interview topic guide

National Financial Systems and Climate Change in Emerging Market Economies

Fernanda Gimenes
Department of Geography and Environment, LSE

Interview Topic Guide

Note:

This topic guide serves as a high-level framework for interviews. Questions are designed to facilitate open and flexible conversations, allowing participants to share personal insights and experiences. The sequence and exact wording of questions will vary based on the participant's expertise and position. Additional questions may arise, particularly through the use of the critical incident technique to explore real-life experiences.

1. Introduction and icebreaker question

- Purpose of the interview and research context.
- Explanation of confidentiality and data usage / Permission to record the interview.
- Emphasis on flexibility and the importance of participants' experiences and insights.
- Can you briefly introduce yourself and your role in [specific sector/organisation]?
- Can you share what you [your organisation] understand as climate finance, and how climate finance relates to your work?
- How did you first become involved in climate finance?

2. Emergence and evolution of climate finance in Brazil:

- How would you describe the emergence of climate finance in Brazil?
- What do you see as the key phases or milestones in the evolution of the finance-climate nexus?
- Which policies or initiatives have been particularly successful in advancing climate finance? Why?
- How do international climate finance developments influence or interact with domestic initiatives?

- What role do you think non-state actors (e.g., private sector, NGOs, or investors) have played in this evolution?

3. Key themes and operationalisation of climate finance:

- In your view, if we see climate finance as a "system", what are the main "components" of this system, and how do they function in practice?
- Can you provide examples of how climate finance has been operationalised in your work or sector?

4. Challenges and opportunities:

- From your perspective, what are the biggest challenges in fostering greater commitment to climate finance from different actors?
- How do you think these challenges can be addressed?
- Are there any gaps in the current climate finance system that you think need urgent attention?
- Can you share examples of innovative approaches or solutions you've encountered?

5. Engagement and collaboration:

- Do you collaborate with other actors on climate finance? If yes, with whom and in what context?
- How does your organisation engage with governments on climate finance issues?
- Have you participated in international climate finance discussions or negotiations? If so, what was your experience?
- Can you describe any partnerships or collaborations that were particularly impactful?

6. Closing questions and recommendations:

- Is there anything we haven't covered that you think is important to discuss?
- Can you recommend other individuals or organisations who you think I need to speak to?
- Are there specific reports, policies, or events you believe are essential for understanding the finance-climate nexus in Brazil?

Appendix C: Key informant interviews: dates and categories (Chapters 2 and 3)

Interview number	Date	Category
1	14 January 2020	Private Sector Representative
2	14 January 2020	Non-Governmental Organisation representative
3	15 January 2020	Government representative
4	16 January 2020	Private Sector Representative
5	16 January 2020	Non-Governmental Organisation representative
6	17 January 2020	Non-Governmental Organisation representative
7	17 January 2020	Government representative
8	20 January 2020	Private Sector Representative
9	20 January 2020	Government representative
10	21 January 2020	Non-Governmental Organisation representative
11	23 January 2020	Non-Governmental Organisation representative
12	23 January 2020	Private sector representative
13	23 January 2020	Government representative
14	24 January 2020	Government representative
15	24 January 2020	Non-Governmental Organisation representative
16	25 January 2020	Government representative
17	27 January 2020	Government representative
18	27 January 2020	Non-Governmental Organisation representative
19	28 January 2020	Government representative
20	29 January 2020	Government representative
21	29 January 2020	Government representative

22	4 February 2020	Non-Governmental Organisation representative
23	4 February 2020	Non-Governmental Organisation representative
24	5 February 2020	Non-Governmental Organisation representative
25	5 February 2020	Donor and international organisation
26	10 February 2020	Donor and international organisations
27	10 February 2020	Government representative
28	10 February 2020	Non-Governmental Organisation representative
29	10 February 2020	Donor and international organisations
30	11 February 2020	Government representative
31	11 February 2020	Government representative
32	12 February 2020	Government representative
33	12 February 2020	Government representative
34	12 February 2020	Private Sector Representative
35	17 February 2020	Non-Governmental Organisation representative
36	17 February 2020	Private Sector Representative
37	2 March 2020	Private Sector Representative
38	2 March 2020	Non-Governmental Organisation representative
39	3 March 2020	Non-Governmental Organisation representative
40	3 March 2020	Government representative
41	4 March 2020	Private Sector Representative
42	4 March 2020	Donor and international organisations
43	5 March 2020	Government representative
44	6 March 2020	Government representative
45	6 March 2020	Government representative
46	9 March 2020	Government representative

47	9 March 2020	Non-Governmental Organisation representative
48	9 March 2020	Private Sector Representative
49	9 March 2020	Non-Governmental Organisation representative
50	11 March 2020	Donor and international organisations
51	11 March 2020	Donor and international organisations
52	12 March 2020	Non-Governmental Organisation representative
53	12 March 2020	Government representative
54	12 March 2020	Private Sector Representative
55	16 March 2020	Non-Governmental Organisation representative
56	16 March 2020	Private Sector Representative
57	20 March 2020	Donor and international organisations
58	20 March 2020	Private Sector Representative
59	24 March 2020	Government representative
60	24 March 2020	Private Sector Representative
61	26 March 2020	Donor and international organisations
62	27 March 2020	Non-Governmental Organisation representative

Appendix D: Key informant interviews: dates and categories (Chapter 4)

Interview number	Date	Category
1	14 January 2020	Private Sector Representative
2	14 January 2020	Non-Governmental Organisation representative
4	16 January 2020	Private Sector Representative
10	21 January 2020	Non-Governmental Organisation representative
11	23 January 2020	Non-Governmental Organisation representative
14	24 January 2020	Government representative
15	24 January 2020	Non-Governmental Organisation representative
16	25 January 2020	Government representative
17	27 January 2020	Government representative
18	27 January 2020	Non-Governmental Organisation representative
25	5 February 2020	Donor and international organisation
26	10 February 2020	Donor and international organisations
29	10 February 2020	Donor and international organisations
30	11 February 2020	Government representative
32	12 February 2020	Government representative
33	12 February 2020	Government representative
35	17 February 2020	Non-Governmental Organisation representative
42	4 March 2020	Donor and international organisations
50	11 March 2020	Donor and international organisations
51	11 March 2020	Donor and international organisations
54	12 March 2020	Private Sector Representative

55	16 March 2020	Non-Governmental Organisation representative
57	20 March 2020	Donor and international organisations
61	26 March 2020	Donor and international organisations