



# Urban Pathways

# factsheet

on Financing Solutions  
Inter American Development Bank



# IDB

Improving lives



Wuppertal  
Institut

UN  **HABITAT**  
FOR A BETTER URBAN FUTURE

UN   
environment

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# Urban Pathways

## Project concept

## Project aims

**The Urban Pathways project helps delivering** on the Paris Agreement and the NDCs in the context of the New Urban Agenda and the Sustainable Development Goals. It has established a facility in close cooperation with other organisations and networks active in this area to support national and local governments to develop action plans and concrete implementation measures to boost low-carbon urban development. This builds on UN-Habitat's role as "a focal point on sustainable urbanisation and human settlements including in the implementation and follow-up and review of the New Urban Agenda". The project develops national action plans and local implementation concepts in key emerging economies with a high mitigation potential. The local implementation concepts are being developed into bankable projects, focusing on the access to urban basic services to create a direct link between climate change mitigation and sustainable development goals.

**The project follows a structured approach to boost** Low Carbon Plans for urban mobility, energy and waste management services that deliver on the Paris Agreement and the New Urban Agenda. The project works on concrete steps towards a maximum impact with regards to the contribution of urban basic services (mobility, energy and waste management) in cities to global climate change mitigation efforts and sustainable and inclusive urban development. This project makes an active contribution to achieve global climate change targets to a 1.5°C stabilisation pathway by unlocking the global emission reduction potential of urban energy, transport and resource sectors. The project will contribute to a direct emission reduction in the pilot and outreach countries, which will trigger a longer term emission reduction with the aim to replicate this regionally and globally to make a substantial contribution to the overall emission reduction potential.

**This project implements integrated urban services** solutions as proposed in the New Urban Agenda providing access to jobs and public services in urban areas, contributing to equality and social coherence and deliver on the Paris Agreement and the Sustainable Development Goals. This is the first dedicated implementation action oriented project, led by UN-Habitat to deliver on inclusive, low-carbon urban services. Securing sustainability and multiplier effect, the project aims to leverage domestic and international funding for the implementation projects that will follow from this initiative.

# Table of Content

Name of Initiative	5
Short description	5
Scope	6
Focal point	6
Funding focus	7
Grant	9
Scope of funding	11
Budget available	12
Timeframe/website	12



# Name of the Initiative

## Short description

### **Inter-American Development Bank (IDB)**

**The IDB Group is composed of the Inter-American Development Bank (IDB), IDB Invest and the Multilateral Investment Fund (MIF),** a fund administered by the IDB. The IDB, the oldest and largest regional multilateral development bank, is the main source of multilateral financing for economic, social, and institutional development in Latin America and the Caribbean.

**With a history dating back to 1959,** the IDB's aim is to achieve sustainable and climate-friendly development in the region. It provides loans, grants, technical assistance, and conducts extensive research. It maintains a strong commitment to achieving measurable results and the highest standards of increased integrity, transparency, and accountability.

BID goals are:

- Reducing poverty and social inequalities;
- Addressing the needs of small and vulnerable countries ;
- Fostering development through the private sector;
- Addressing climate change, renewable energy and environmental sustainability; and
- Promoting regional cooperation and integration.

**The MIF is the innovation lab** for the IDB Group. It conducts high-risk experiments to test new models for engaging and inspiring the private sector to solve economic development problems in Latin America and the Caribbean. The IDB obtains its own financial resources from its 48 member countries, borrowings on the financial markets and trust funds that it administers, and through co-financing ventures.

## Latin America and the Caribbean – 26 borrower countries

### Urban Pathways countries

#### Brazil

Projects completed: 969

Active loans portfolio: USD 12.3 billion

Main sector: Transport

#### Ecuador

Projects completed: 776

Active loans portfolio: USD 2.85 billion

Main sector: Energy

#### Mexico

Projects completed: 704

Active loans portfolio: USD 3.98 billion

Main sector: Environment and natural disasters

- **Urban development and housing**
- **Energy**
- **Water and sanitation**
- **Transport**

### Yes, through Non-Sovereign Guarantee and Non-reimbursable loans

**While a majority of IDB** staff works in Washington, D.C., the Bank posts specialists in its country offices to foster closer cooperation with clients and partners. Approximately one-third of its staff is in the region, allowing for a more agile and effective institution.

#### Brazil

Representative: Hugo Florez Timoran

Address: Setor de Embaixadas Norte

Quadra 802 Conjunto F, Brasília

#### Ecuador

Representative: Fernando Quevedo

Address: Av. 12 de Octubre N24-528 y Cordero

Edificio World Trade Center - Torre II, Piso 9

Quito

#### Mexico

Representative: Tomás Bermúdez

Address: Avenida Paseo de la Reforma N° 222, Piso 11

Colonia Juárez, Delegación Cuauhtémoc

Ciudad de México

## Geographic Scope

Brazil

Ecuador

Mexico

Urban Pathways  
Area

Directly accessible  
for cities - YES

Focal point at the  
national level

## Funding focus

## Public sector financing

### Funding focus

**Financing is offered via a variety of structures** including loans, partial credit guarantees, grant financing and political risk guarantees. Loans are made on project finance or on a corporate finance basis. Partial credit guarantees help improve placement of bonds with investors and enable clients to have access to better financing terms from domestic and foreign investors. Grant financing is available to private and state owned enterprises for pre-investment activities of selected highly developmental projects. Political risk guarantees are provided to eligible foreign debt investors for qualified investments in borrowing member countries.

### General financing terms

- Loans carry fixed or floating interest rates and are priced according to existing market conditions, reflecting the overall characteristics of the underlying project and client.
- Partial credit guarantees carry fees or premiums that are market based and depend on the risk covered and market benchmarks.
- Grant financing requires counterpart financing.
- Political risk guarantees carry fees determined on a case-by-case basis depending on the risk covered and the nature of the guarantees' structure.

### Public sector financing

Total number of projects financed in the past 5 years: 384

Amount financed in the past 5 years: USD 43.66 billion

Average size of project: USD 114 million

**The Inter-American Development Bank (IDB)** currently has three lending categories based on the development purpose, eligibility, and disbursement requirements of the loan, as well as the criteria for determining the size of the loan amounts and the financial terms. Each lending category includes different types of lending instruments and approaches.

### Lending Categories

Investment lending to IDB borrowing member countries finance goods, works, and services to promote social and economic development. This category includes specific instruments to support IDB borrowing member countries in the event of a natural disaster.

Policy-based lending provides the Bank's borrowing member countries with flexible, liquid (fungible)

funding to support policy reforms and/or institutional changes in a particular sector or subsector. The country and the IDB discuss and agree upon those reforms or changes.

Special development lending supports borrowing countries during a macroeconomic crisis and mitigate the effects on the countries' economic and social progress.

### ***Guarantees Instruments for Sovereign Guaranteed Operations***

In addition to the three lending categories the IDB can guarantee loans made by private financial sources in public sector projects. Guarantees seek to improve financing conditions for projects in Latin America and the Caribbean and help promote investment in borrowing countries. [Click here to learn more.](#)

The Flexible Guarantee Instrument (FGI) is the IDB's guarantee policy for sovereign guaranteed operations. The FGI is a single platform that allows borrowing member countries, subnationals, and local governments to structure partial credit guarantees and partial risk guarantees, both for investment projects and policy based interventions.

### **Private sector funding**

Total number of projects financed in the past 5 years: 105

Amount financed in the past 5 years: USD 2.03 billion

Average size of project: USD 19 million

### **These instruments are also known as Non-Sovereign Guaranteed Loans (NSG).**

- **A/B Loans and Syndications:** The IDB can attract banks and institutional investors to co-finance private sector projects through the subscription of A/B loans. Corporations, banks, public and mixed capital entities are eligible for this kind of loan.
- **Small enterprise:** The FOMIN Small Enterprise Investment Facility (SEIF) is designed to provide financing to broaden the participation of smaller entrepreneurs in their local economies.
- **Social Entrepreneurship Program:** This program promotes the implementation of financing mechanisms that provide sustainable solutions to socioeconomic problems affecting marginalized populations.
- **Opportunities for the Majority Initiative:** Pro-

## Private sector funding



notes and finances market-based, sustainable business models that engage private sector companies, local governments and communities in the development and delivery of quality products and services for the majority of the population of Latin America and the Caribbean. Its purpose is to improve the quality of life of low-income communities.

## **Grant**

Total number of projects financed in the past 5 years:  
1,675

Amount financed in the past 5 years: USD 1.30 billion  
Average size of project: USD 776,000

Grants are non-reimbursable funds provided for technical cooperation programs. Some grants may be repaid to the IDB if the program eventually obtains a loan, either from the Bank itself or another source. Grants can be financed by the IDB's own financial resources or funds from third parties.

## **Trust Fund Grants**

Trust funds, which are generally established by a country or group of countries and entrusted to the IDB to administer, can finance grants. These grants go primarily to the relatively less developed member countries.

All legally constituted public and private organizations are eligible to receive trust fund resources, although some funds limit their support to specific geographic areas and sectors. The funds have different limits on the size of individual projects.

## **MIF Grants**

The Multilateral Investment Fund (MIF) grants support small-scale, targeted interventions that pilot new approaches and act as a catalyst for larger reforms. The MIF, an autonomous fund member of the IDB group, is a major source of technical assistance grants for private sector development in Latin America and the Caribbean.

Depending on the scope of the proposed project, the MIF can provide resources to both public and private sector organizations. Private sector agencies can include non-governmental organizations, industry associations, chambers of commerce, etc.

# Grant

## **Social Entrepreneurship Program**

The IDB has a Social Entrepreneurship Program, which provides grants to private, non-profit, community based organizations and public local development institutions. Program resources may be used for technical assistance, training, investment in productive or basic services infrastructure, procurement of equipment and materials, working or operating capital, and/or marketing.

## **The Emerging and Sustainable Cities Program (ESC)**

The ESC is the IDB's non-reimbursable technical assistance program providing direct support to national and subnational governments in the development and execution of city Action Plans. Until 2017, 77 Latin American cities had joined the Program.

**ESC employs a multidisciplinary approach** to identify, organize and prioritize urban interventions to tackle the main roadblocks that prevent the sustainable growth of emerging cities in Latin America and the Caribbean. This transversal approach is based on three pillars: (i) environmental and climate change sustainability, (ii) urban sustainability, and (iii) fiscal sustainability and governance.

ESC's Methodology is organized in a two-stage, five phase process. Stage one begins by executing a rapid diagnostic tool to identify the sustainability challenges of a city. Afterwards, topics (i.e. water, air quality, transparency, etc.) are prioritized through the use multiple filters – environmental, economic, public opinion and sector specialist expertise – to identify issues that pose the greatest challenges in a city's pathway towards sustainability. Finally, an Action Plan is formulated, containing prioritized interventions and a set of strategies for their execution across the short-, medium- and long-term. In stage two, the execution phase begins with the preparation of pre-investment studies for prioritized interventions and the implementation of a citizen monitoring system.

## Scope of funding

### Scope of funding

**In 2017, the Bank continued to support** infrastructure initiatives and projects that contribute to closing the basic services gap and supporting the integration of the countries of the region.

**Transport projects included** connectivity improvements through the development and management of primary, secondary, and tertiary road systems in countries that included Bolivia, Haiti, and Paraguay; logistics infrastructure development in interurban and urban areas, as in the case of Brazil; and urban transportation improvements through passenger rail systems, as in the case of Argentina.

**Support continued for energy** infrastructure development to narrow the access gap while increasing the sector's efficiency and reliability, in countries such as Brazil, Ecuador, and Honduras. Other initiatives supported implementation of the necessary sector reforms and policies to consolidate sustainable energy sectors in countries that included Colombia, Nicaragua, and Panama.

**In water and sanitation, efforts** focused on increasing access in rural and peri-urban areas, in countries such as Haiti, Nicaragua, and Peru; improved quality of potable water services through enhancements in system resilience and operator efficiency, as in Bolivia and Panama, respectively; and improved environmental conditions in urban areas through wastewater treatment in Argentina, remediation of locations degraded by solid waste in Peru, and integrated flood prevention and sanitation interventions in Brazil.

Moreover, In 2017, the Climate Change and Sustainable Development Sector's (CSD) work program and resources focused on strengthening programs and instruments for mainstreaming sustainability and climate change considerations in all operational areas of the IDB Group.

## Eligibility

**The following entities** within the region are eligible for IDB Public financing:

- Governments and governmental institutions: central, state, provincial, and municipal government structures, as well as decentralized government organizations such as state banks, development corporations, public sector companies and universities.
- Civil society: Civil society organizations having a national government guarantee are eligible for IDB lending.
- Sub-regional organizations
- Financial intermediaries

Private Sector Loans and Guarantees may be made directly to project developers / businesses without government guarantees on the basis of market-based pricing, typically for infrastructure-- energy, transportation, sanitation or communications-- and capital market development projects and for export financing.

## Budget available and time frame

**The IDB offers different types** of loans or instruments within this lending category and may be made for short-term, medium-term, or long-term needs. The size of the loan is based on the estimated cost of the project. Disbursements are made when the borrower submits proof of eligible expenditures.

## Institutions typically involved in the implementation

**The IDB Group provides** financial and non-financial resources to national and subnational governments, businesses, and civil society organizations in its 26 borrowing member countries.

**Website:** <https://www.iadb.org/en>

# Eligibility

# Budget available timeframe

# Institutions

# Website



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[www.urban-pathways.org](http://www.urban-pathways.org)

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