



Urban Pathways

factsheet

on Financing Solutions
Development Bank of Latin America



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Project concept

Project aims

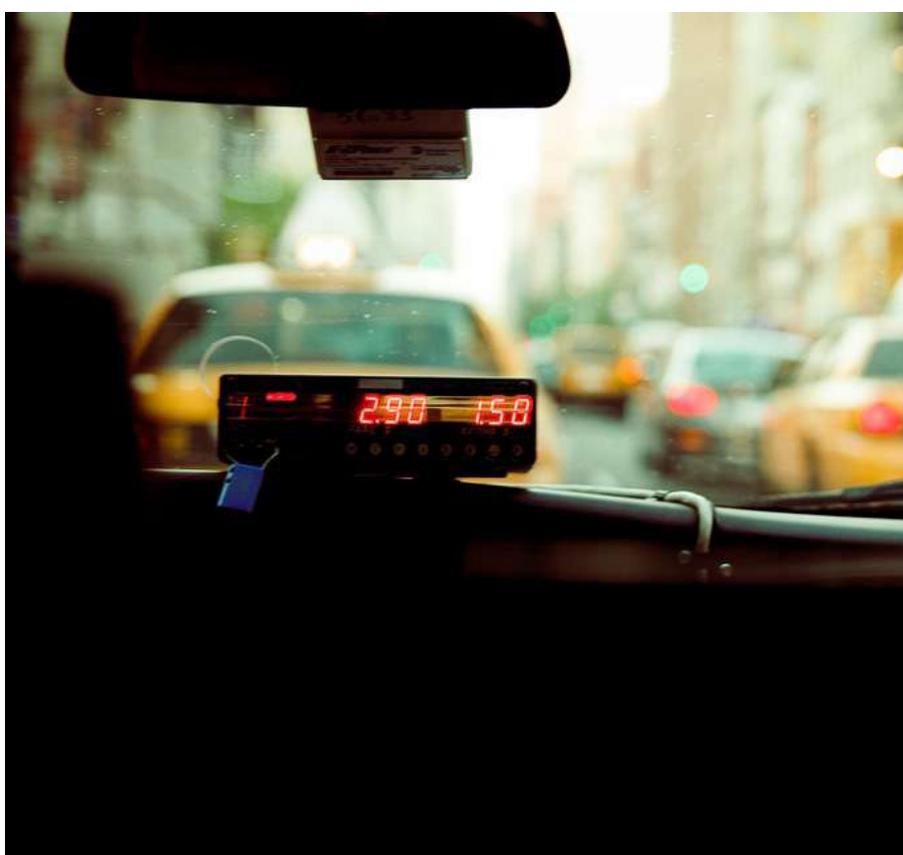
The Urban Pathways project helps delivering on the Paris Agreement and the NDCs in the context of the New Urban Agenda and the Sustainable Development Goals. It has established a facility in close cooperation with other organisations and networks active in this area to support national and local governments 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.

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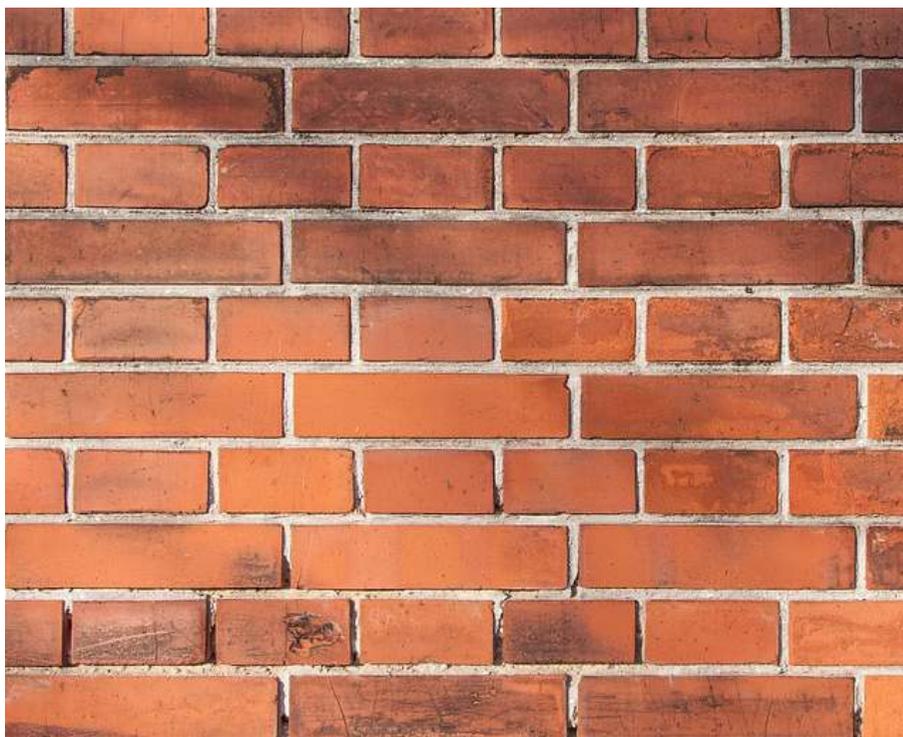


Development Bank of Latin America - CAF

CAF is a development bank created in 1970, owned by 19 countries - 17 of Latin America and the Caribbean, Spain and Portugal- as well as 13 private banks in the region. It promotes a sustainable development model through credit operations, non-reimbursable resources, and support in the technical and financial structuring of projects in the public and private sectors of the shareholder countries of Latin America.

Name of the Initiative

Short description



17 countries of Latin America and the Caribbean plus Spain and Portugal

Urban Pathways countries¹

Brazil

Approved amount: USD 8.6 billion

Main sector: Urban development and Transport

Ecuador

Approved amount: USD 4.0 billion

Main sector: Energy

Mexico

Approved amount: USD 8.3 billion

Main sector: National development banks

- **Cities**
- **Energy**
- **Environment and climate change**
- **Transportation**
- **Urban development**
- **Water**

Yes

CAF Country Offices

Brazil

Representative: Jaime Holguín

Address: SAF/Sul Quadra 2 Lote 4 Bloco D

Edifício VÃa Esplanada Sala 404

Ecuador

Representative: Bernardo Requena Blanco

Address: Av. 12 de Octubre N.24-562 y Cordero

Edifício World Trade Center, Torre A, Piso 13

Quito

Mexico

Representative: Emilio Uquillas Freire

Address: Avenida Paseo de la Reforma # 342, Piso 23

Edifício New York Life Seguros Monterrey

Colonia Juárez, CP 06600 México DF

Geographic Scope

Brazil

Ecuador

Mexico

Urban Pathways
Area

Directly accessible
for cities - YES

Focal point at the
national level

¹ Data from the period 2012 - 2016

Loans

Loans represent CAF's main financial instrument.

There are also different types of loans: commercial loans (pre-shipment and post-shipment) and working capital loans, for projects and limited guaranty loans.

CAF finances sovereign risk and non-sovereign risk operations. Loans can be granted in all stages of project implementation; however, under certain circumstances and within the context of a comprehensive credit, CAF may provide loans for the promotion of exports and working capital to companies or financial institutions.

Among the advantages of this program are:

- Access to better financing terms based on the support of a multilateral institution that meets a client's need in terms of duration (simultaneously, short, medium and long term).
- Flexibility and responsiveness that characterizes CAF.

Syndicated loans

A syndicated loan consists of a structure in which a financial institution exercises leadership in a credit operation and brings together a group of banks and/or other institutions (Participants), to respond to the needs of a client under the umbrella of a single loan. Under this structure, creditors share the same rights and obligations (pro rata).

Syndicated loans can take various forms depending on the interest and the risk level of the lead financial institution (holder and/or administrator of the loan) and the Participants. Under this premise, syndicated operations in CAF can take the form of co financing or an A/B loan.

The borrowers of syndicated loans have the following advantages:

- Possibility of ensuring total financing of the project in a single loan, lowering fixed costs and simplifying negotiations.
- Access to longer financing terms, considering CAF's multilateral character.
- Establishing and deepening of business relations with first-class international banks.
- Flexibility and responsiveness in the operations' approval process.

A/B Loans

A/B Loans preserve the concept of pro rata of a syndicated loan, but change the capacity of each creditor to enforce those rights. The main change consists on CAF's actions as sole holder of the whole A/B Loan (that is, the Lender of Record), which results in a higher level of control over its management by CAF.

As holder of the A/B Loan, CAF will:

- Manage the credit entirety in relation to the client.
- Finance the part of the loan (Tranche A) in which the Participants do not take part.
- Sell a portion of the loan (Tranche B) to the Participants under participation agreements.
- Autonomy in the management of Tranche A and have certain rights and obligations with the Participants of Tranche B.

Technical Cooperation

CAF finances specialized projects that help improve technical capacity in shareholder countries, with the goal of generating innovative programs that contribute to sustainable development and regional integration. Technical cooperation projects are aimed at companies, international agencies or public and private organizations. In several countries, applications from public entities are prioritized through a single government agency, which coordinates external funding for technical assistance programs within their national or regional development plans. Private sector projects are restricted to trade unions, small and medium-sized enterprises and financial institutions that specialize in supporting SMEs.

In order to qualify for financing, technical cooperation projects have to meet certain eligibility criteria and must be compatible with CAF's development goals. These include the following: pre-investment, feasibility studies, investment projects aimed at creating or expanding manufacturing, institution building, industrial development, export development, financial or capital markets development and integration, technology transfer, climate change and environmental protection, social development and promotion of cultural values, among others.

CAF has a number of technical assistance funds, some of which are focused specifically on certain strategically important goals, such as high-impact and innovative community development projects in socially

Technical Cooperation

vulnerable and disadvantaged areas; sustainable infrastructure and human capital development projects in border areas; as well as the strengthening of shareholder capital of small and medium-sized enterprises in member countries.

In addition, CAF can also draw on technical cooperation funds made available by foreign government agencies, including Italy's Foreign Affairs Ministry, Spain's Economy Ministry, the French Development Agency (AFD) and the German Development Bank (KfW), as well as from the Latin America Investment Facility (LAIF) of the European Union.

Besides loans and technical cooperation, CAF also provides other services to its such as:

- Financial consultancy
- Partial Guarantees
- Treasury services
- Credit lines
- Structured financing
- Guarantees and collaterals
- Stock ownership

Scope of funding

The range of projects that CAF may fund varies, and includes plans related to infrastructure for roads, transportation, telecommunications, power generation and transmission, water and sanitation, as well as those that encourage border development and physical integration between shareholder countries. In the area of industry, CAF invests in projects to expand and modernize the production capacity and business integration of its shareholder countries in regional and global markets.

Eligibility

Eligible transactions for funding by CAF are those that are submitted by the governments of shareholder countries, as well as private or mixed capital sector projects from a wide range of economic sectors.

Scope of funding

Eligibility

Budget available

The minimum amount of an A/B loan should be USD 50 million. The maximum amount is based on the project and the capacity to attract investors within the framework of the norms set forth by CAF. Generally, CAF has to maintain a minimum of 25% of the total amount of an A/B Loan, by financing the A Tranche.

Timeframe

The allocated loans can be short term (1 year), medium term (1-5 years), and long term (over five years). Syndicated Loans require a minimum term of two years.

Institutions typically involved in the implementation

Operations submitted by private or mixed companies will be considered eligible for financing.

In addition, operations with non-sovereign public sector companies can be made selectively.

Finally, for eligibility of the Borrowers in Syndicated Loans, the same eligibility criteria set forth in CAF's internal policies will be taken into account.

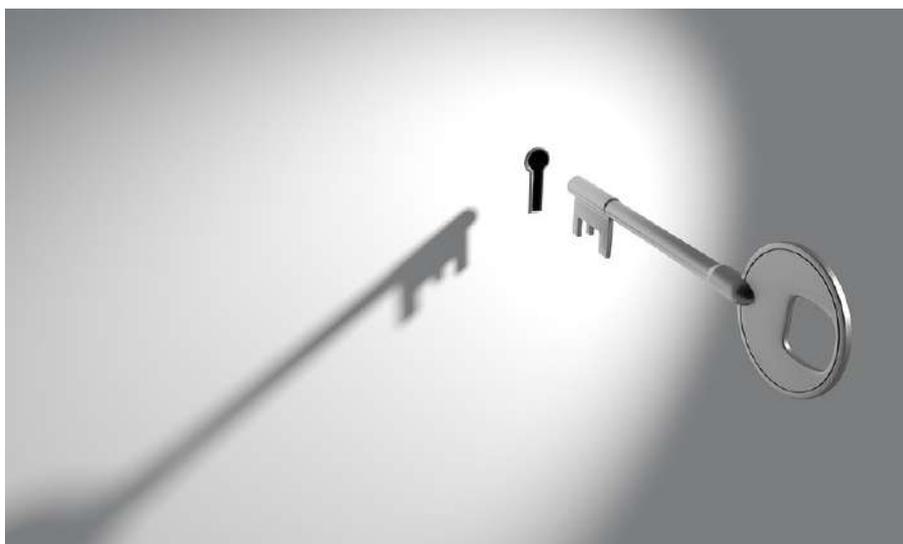
<https://www.caf.com/en/about-caf/>

Budget available

Timeframe

Institutions

Website





**Urban
Pathways**

www.urban-pathways.org

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