

Financial solutions to mobilize sustainable development investments

UNCTAD Financing for Development

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Achieving balance between liquidity, mobilization and purpose

Low growth and financing needs for development



- Low growth prospects
- Higher unemployment

Limited access to capital markets and high debt stocks



- Higher interest rates
- High debt stock

Urgent sustainability, climate and social demands



- Sustainable Development Objectives
- National Defined Contributions

Financing Gap

To achieve the SDGs for 2030

US\$2–3 trillion

Addis Ababa Action Agenda
Estimated gap

To achieve net zero emissions by 2050

US\$1 trillion

Paris Agreement
Estimated gap

Examples of financial solutions for mobilization and efficient support



**Offering Guarantees and
supporting GSS Bonds**

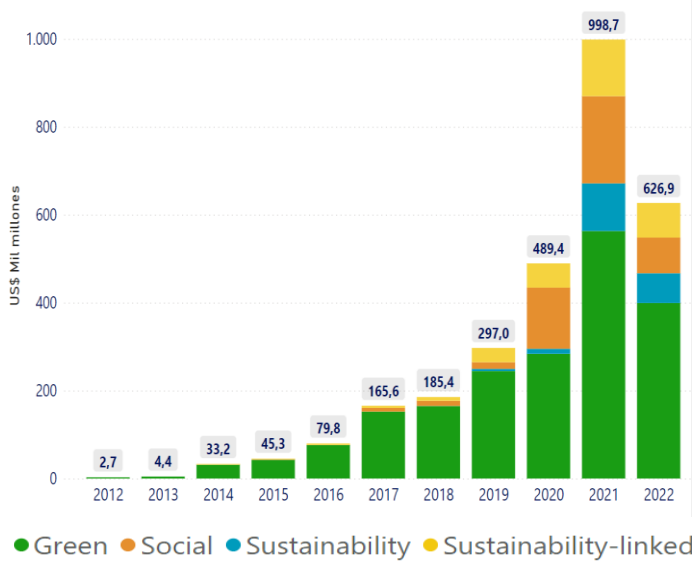


**Contingent loans associated
to disaster and crisis
management tools**

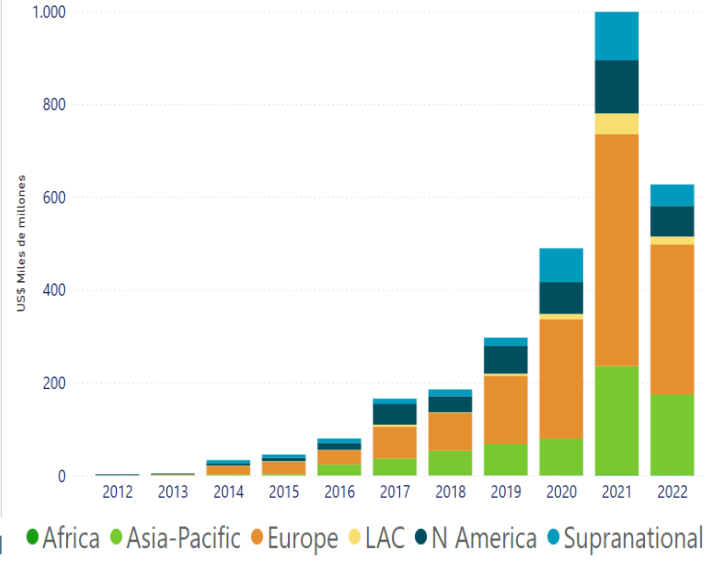


Leveraging national DFIs

Global GSS Bonds (US\$ billions)

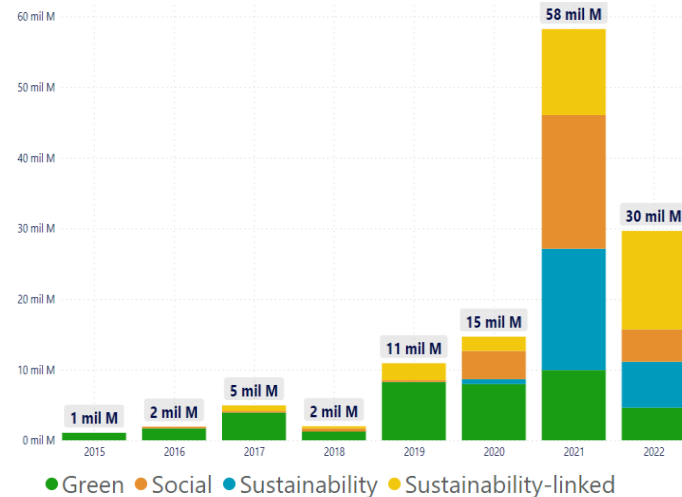


Green Bonds per region (US\$ billions)

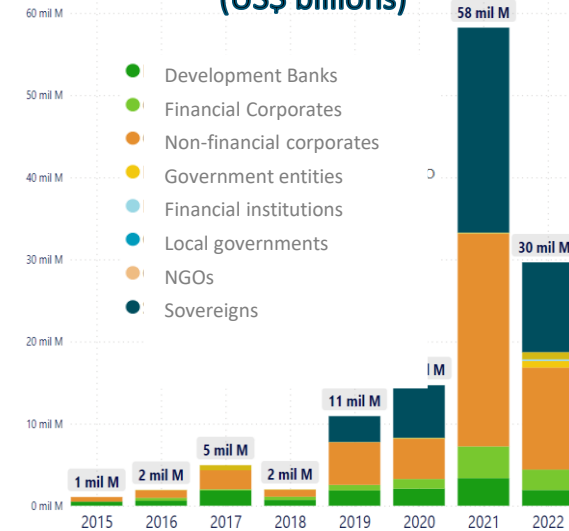


- Almost 3.5 trillions
- Increasing role of sustainability and social bonds
- Still very concentrate in Europe and North America

LAC GSS Bonds per type (US\$ billions)



LAC GSS Bonds per issuer (US\$ billions)



- LAC 2.5 % of Global markets
- Protagonist example with sovereign thematic bonds
- Large potential for sectorial expansion
- Large potential for more diversification of issuers

THEMATIC BONDS ISSUANCES SUPPORTED BY THE IDB GROUP GENERAL OVERVIEW

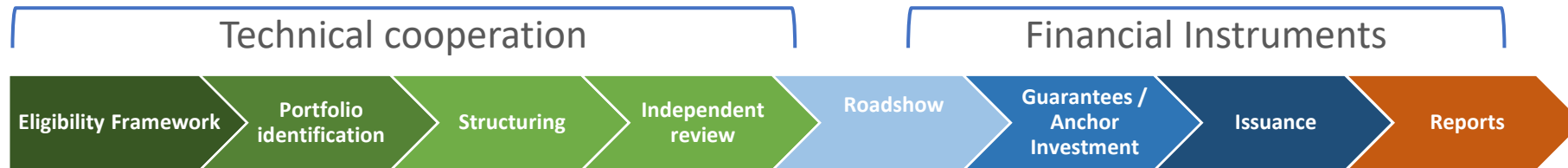


Integral support approach

Technical cooperation : institutional capacity, SG ratings, portfolio assessment, framework development, second opinions, advocacy, monitoring and post-issue reporting



Financial Solutions: guarantees, anchor investors, private placements, co-financing



Transparency and comparability, helping attract new investors and providing a greater level of confidence to existing ones.

Financial Structures for Resource Mobilization

Tools

Policy based
Guarantees

Investment
Guarantee

Technical
Cooperation






Results

1. Optimize price and resource mobilization

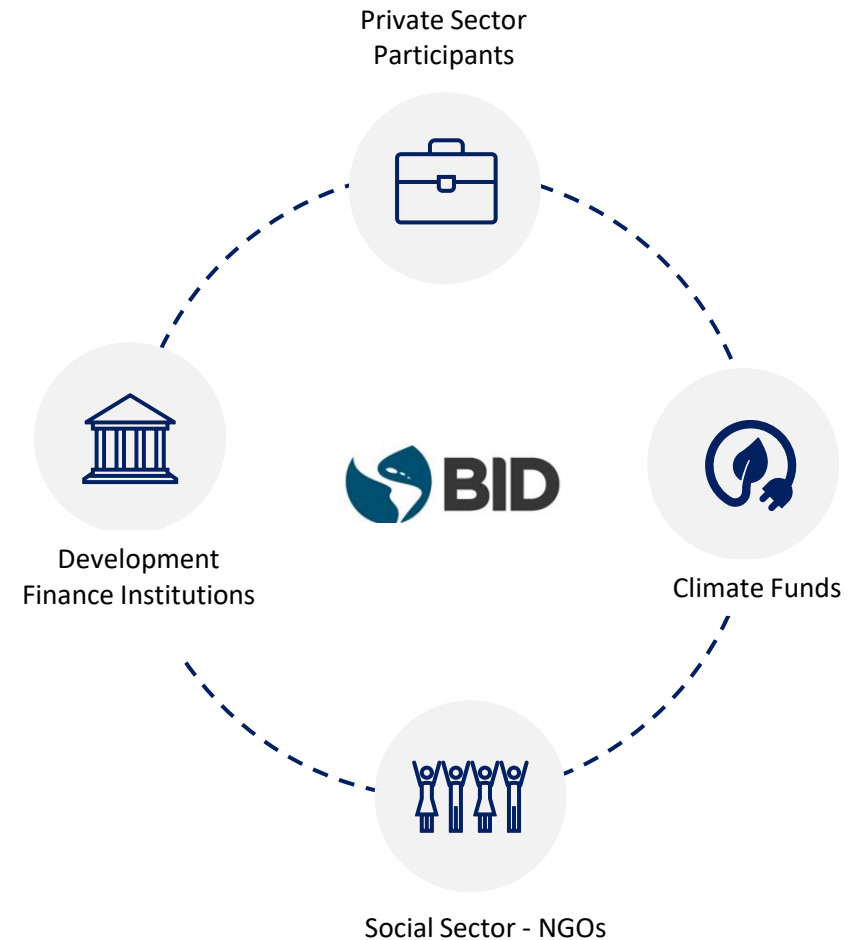
2. Contribute to the fulfillment of SDGs

3. Improved institutional capacity for sustainable development

1. Leverage IDB's financial strength, expertise, and credit status

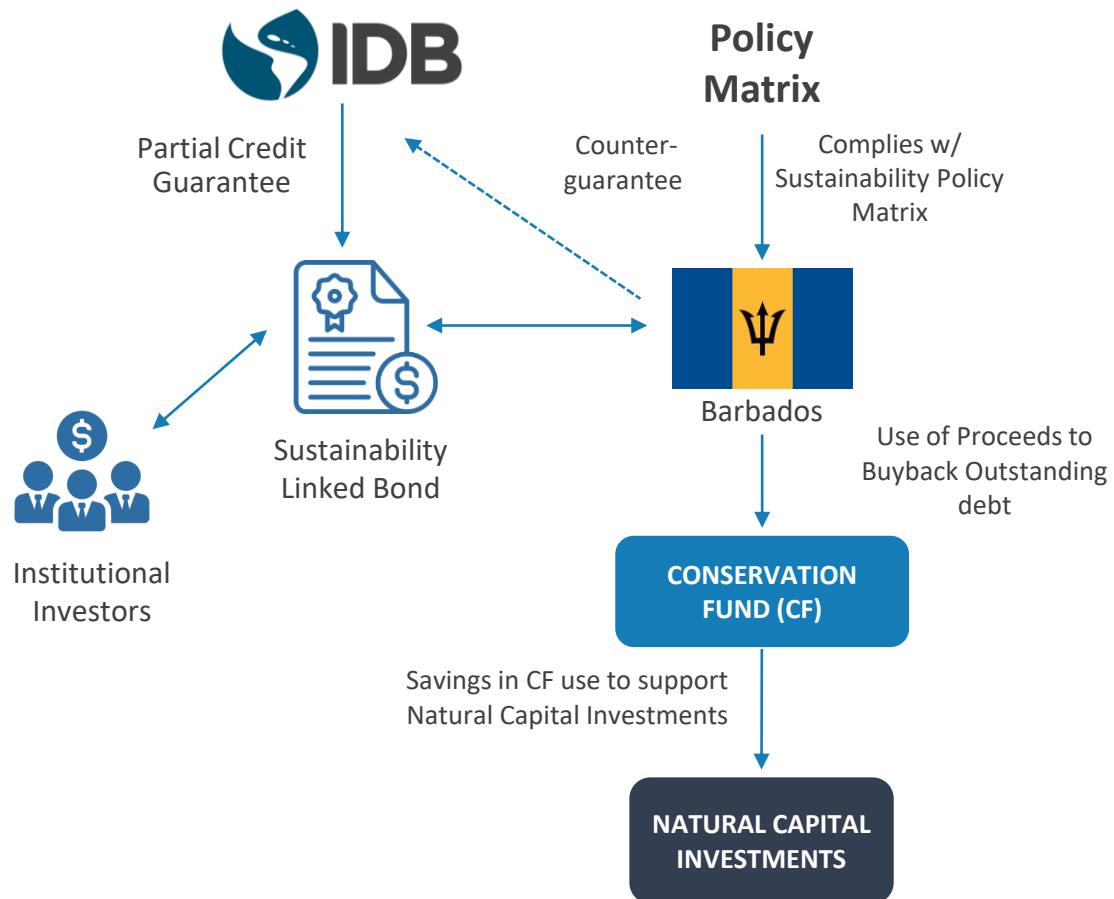
-  AAA Rating and strong Balance Sheet
-  Preferred creditor status
-  Technical know-how
-  Credibility and transparency
-  Investors relations

2. Catalyzing partners (co-guarantors) for Sustainable Development



Debt-For-Sustainability Conversions

- Barbados 150 million Sustainability Linked Bond with a 100 million credit guarantee from IDB



Partially Guaranteed Social Bond

- Ecuador 400 million Social Bond with a 300 million credit guarantee from IDB



Market
Intervention

300 USM Guarantee to a Bond of 400 USM, 14 years, 7,25%.

Financial Benefits

Optimize price and resource mobilization

- ✓ 200 bp in price savings.
- ✓ Maturity extension.
- ✓ USD 100 M private sector mobilization and 70 from CAF
- ✓ Additional mobilization of USD 600 M from local financial institutions

Sustainable Development Benefits



30,000 social houses (25% executed).



• First ever Social Sovereign Bond.
Environmental Review Deal of the Year 2022



Development Partners

Goldman Sachs



CTH

Mortgage securitization

Market Intervention

100 USM Guarantee to a Loan of 150 USM, 14 years, 3.9%.

Financial Benefits

Optimize price and resource mobilization

- ✓ 250 bp in price savings.
- ✓ Maturity extension.
- ✓ USD 50 M mobilization from TNC.
- ✓ USD 50 M savings for conservation.
- ✓ Debt stock reduction.

Sustainable Development Benefits



30% Marine Protected Area and MSP



50 USM for conservation.



Trust Fund Created (24 USM in 2036)

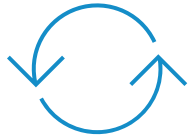
Development Partners



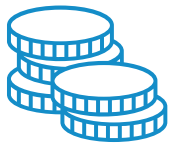
Initial Results



Increased number of operations in different countries and SDGs

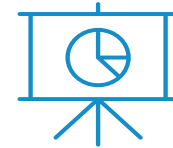


Countries that use the Sovereign Guarantee repeat (learning by doing)

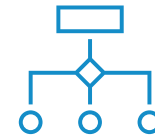


Increased in mobilized quantities

- From $x0.75$ to $x1.9$ in Thematic Issuances
- From $x1.1$ to $x10$ in Debt for Nature Conversions



Increase in market participation (RfP competitive process)



Improved pricing conditions for the financial structure that uses IDB Sovereign Guarantees

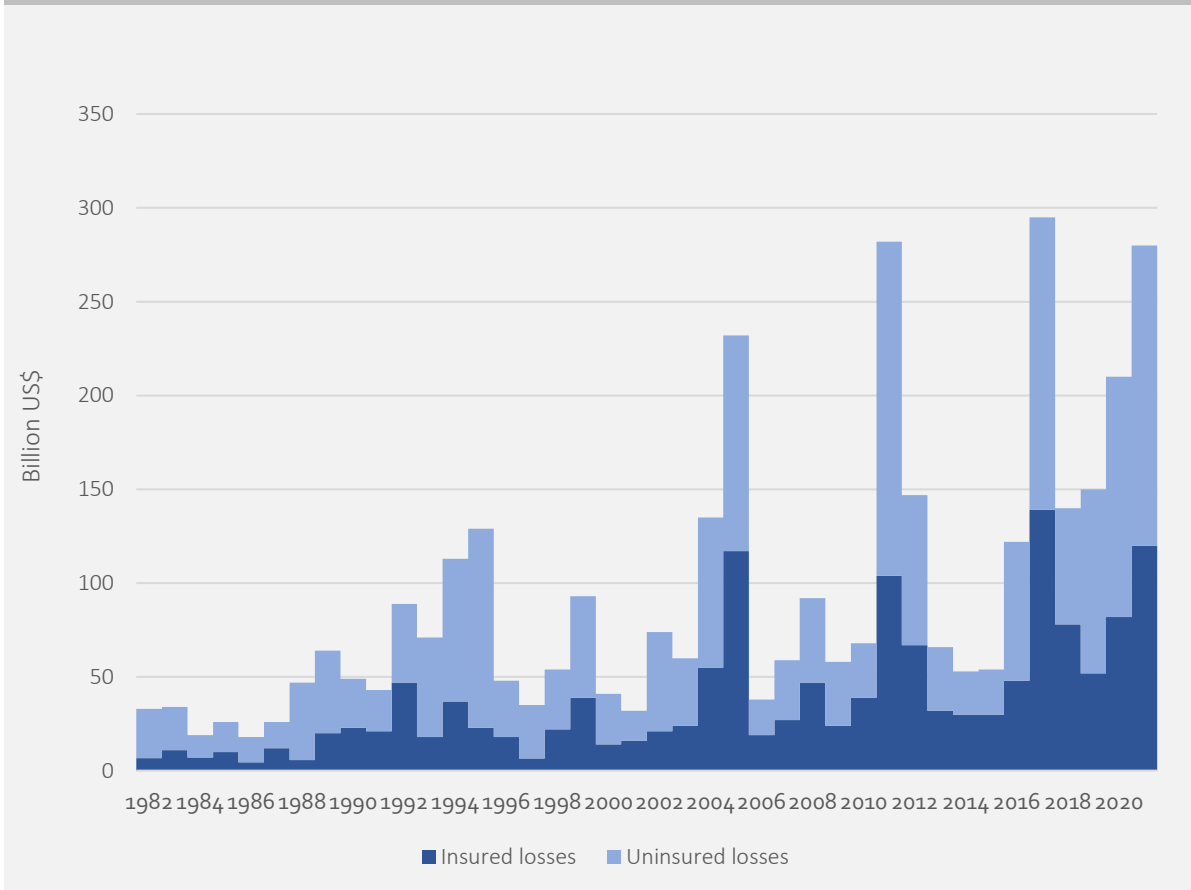


Increased number of mobilization partners (catalytic role)

- Private Investors
- NGOs
- DFIs

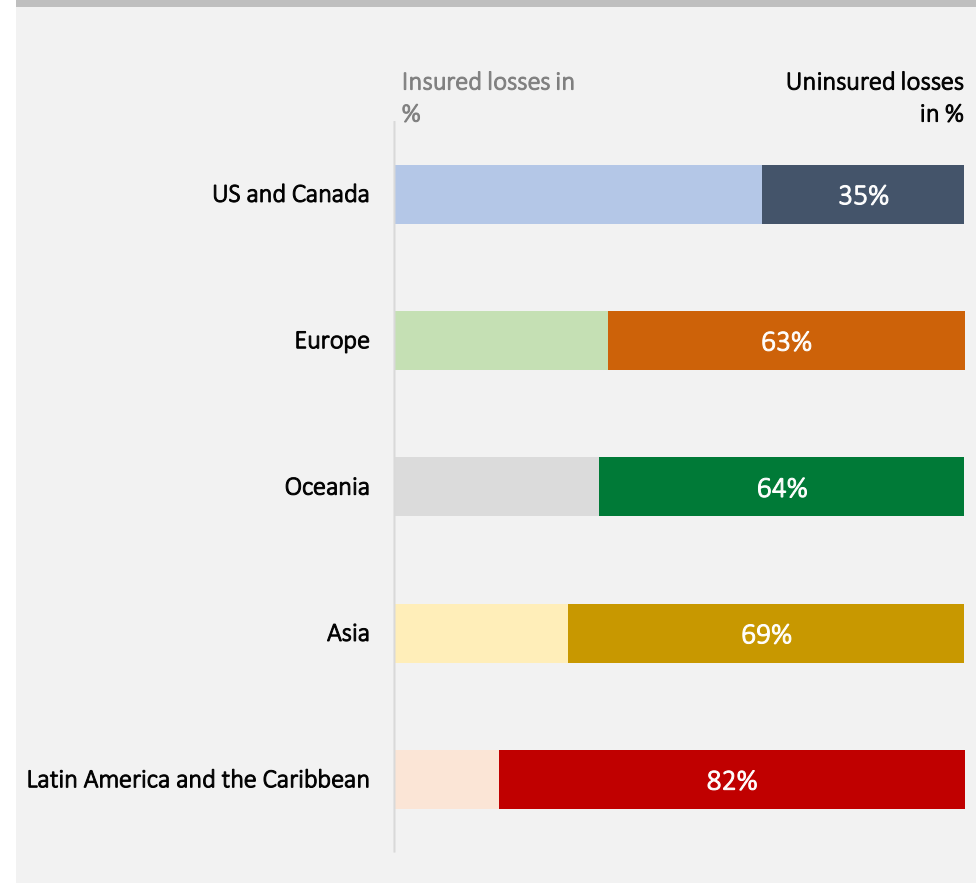
LAC Vulnerable to Economic Losses from Natural Disasters and Climate Extremes

Global economic losses from natural disasters have been increasing



Sources: Munich Re

LAC region is lagging in insurance protection



Sources: Munich Re

Emergencies



Reserve funds
Contingent credit
Risk transfer

Reconstruction



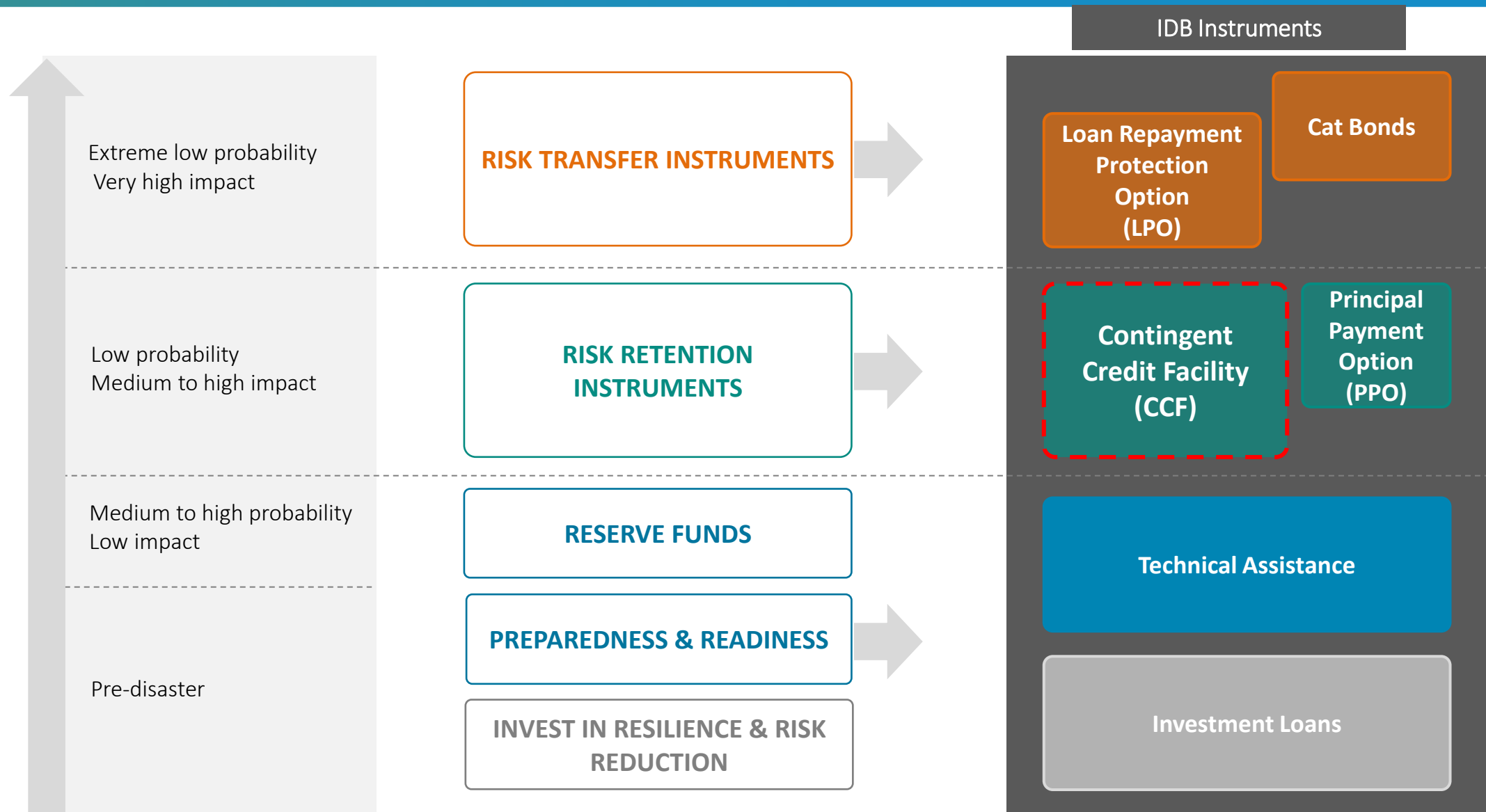
Coverage for infrastructure
Ex post financing

Insurance Market



Regulation and supervision
Development of new
coverage for disaster risks
and climate change

Innovative Risk Finance Instruments for Natural Disasters and Climate Extremes



Catastrophic Risk Coverage in the LAC Region by CCF Contingent Loans



KEY MILESTONES

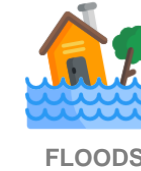
3,963 million
Ex ante financial coverage through the CCF to improve resilience

17
Member borrowing countries with coverage

3,263 million
Of coverage for small and vulnerable member countries

15 of 19
Of small and vulnerable member countries have coverage

RISKS COVERED



Main feature of IDB CCF Contingent Loans

01

Parametric coverage

Innovative parametric coverages that allows fast eligibility verification of events.

03

Cost-Efficient Instrument

No financial cost for the country if loan resources are not drawn.

05

Replenishment of Resources

Option to request replenishments of disbursed resources for up to its original approved total coverage.

07

Disaster Risk Management

Comprehensive Natural Disaster Risk Management Program (CDRMP) and International Health Regulations (IHR)



Rapid Disbursement

Usually within 30 days after an eligibility verification request.

02

Extended Coverage Period

Coverage drawdown period is 5 years, renewable for another 5 years.

04

Ex-ante financial approach

Promote ex ante financial management of risks and contingent fiscal liabilities.

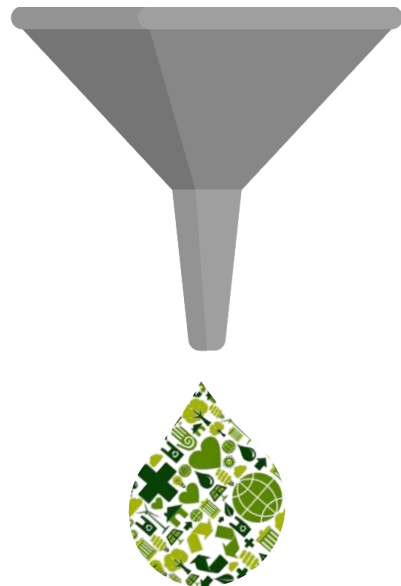
06

Scaling up national DFIs: our partners



- Technical cooperation and loan support to over 40 National Development Banks
- Crowding in 400 commercial banks and 27 capital market operations
- In last 5 years over US\$ 6.6 billion leveraging at least a 2-fold of investments, deploying a financial solution toolbox including loans, guarantees, bonds
- Channeling over US\$ 700 million in international climate finance (+ 45% IDB climate finance).
- MSMEs, infrastructure, sustainable land use and agriculture, green investments, social housing, etc.

Offering a toolkit...



Guarantees and financing of renewable energy solutions



Energy saving insurance



Scaling up private investments in mini-grids and renewable energy generation in isolated off-grid areas



Sustainable Housing Results-Based Financing (ECOCASA)



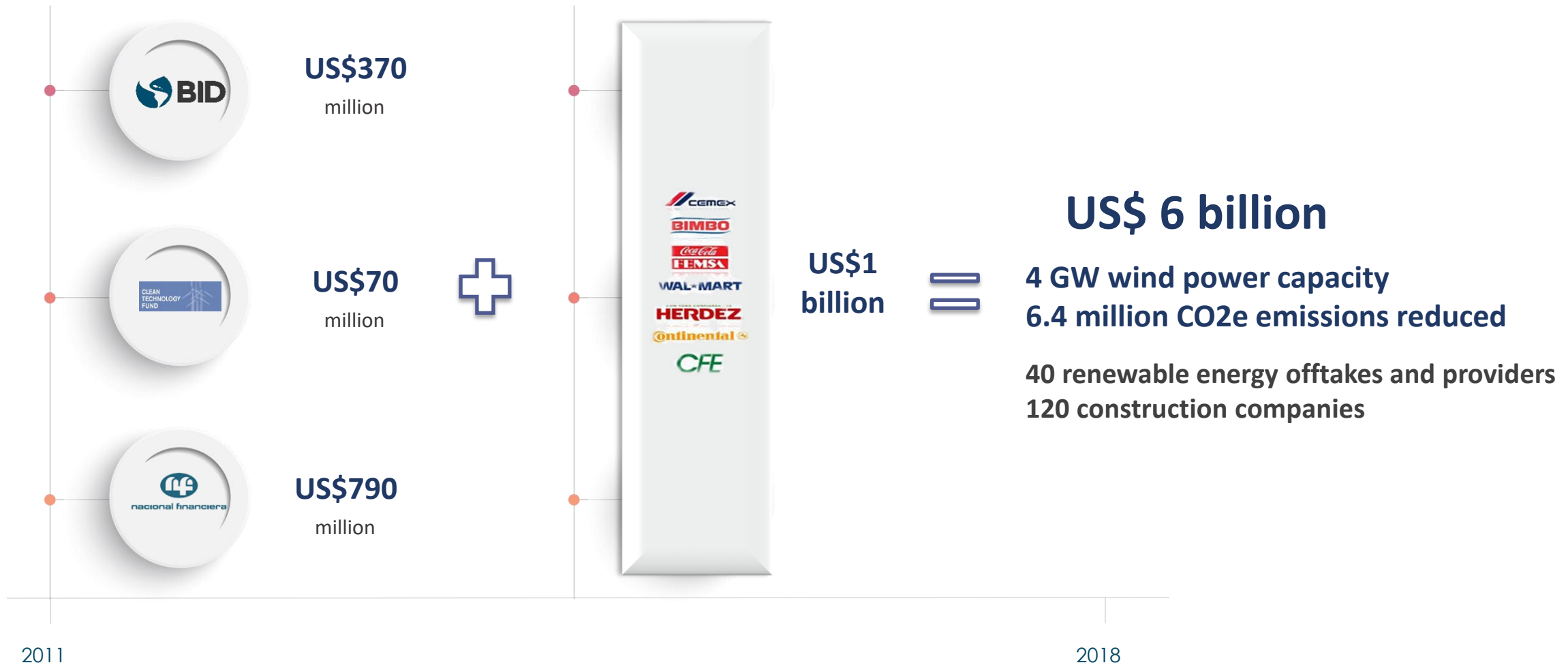
Guarantees and financing lines for sustainable land use aimed at native communities



Scaling up private investments in hybrid and electric vehicles

Blending and mobilization example

Mobilization for Renewable Energy in Mexico (PROFER program)



Developing local financial markets



Platform for over 3000 local financial market players for sharing information and knowledge about opportunities, concrete experiences and opportunities for supporting green and sustainable finance, including ESG investments, Green and Sustainable Bond Markets, Bio and Blue economy, Climatic Risks, Sustainable Energy, among others. [Learn more](#)

REGIONAL POLICY DIALOGUE

Regional policy dialogues which align policymakers, regulators, supervisors with private sector stakeholders to coordinate and joint public-private agenda that can lead to better market coordination and mobilization.

[Learn more](#)



CapiLAC Annual meetings of LAC policymakers, capital markets regulators, supervisors, and the financial sector, to discuss the issues that affect the development of local and regional financial and capital markets in LAC. [Learn more](#)



Public-Private regional dialogue comprised of technology, information and communications policymakers, regulators and key actors from the private sector to promote widespread connectivity in LAC. [Learn more](#)



Network to support LAC central banks, capital markets regulators, financial regulators, supervisors, and governmental agencies to promote integration of ESG and climate risks and the development of country-level strategies for sustainable finance and investments. [Learn more](#)



The first Public-Private group to foster the development of the Fintech ecosystem in LAC, with the participation of 7 countries through financial regulators and supervisors, and Fintech associations. [Learn more](#)

Thanks!

