



Finance Instruments

Bonds, Water Funds, Blended Finance, Debt-for-Nature SWAp

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BONDS

Government Bonds: Issued by governments to finance public projects or operations. Low-risk.

01

Corporate Bonds: Issued by companies to raise capital. Higher risk, higher returns.

02

Municipal/local Bonds: Issued by local governments. Often tax advantages to investors.

03

Thematic Bonds

Often aligned with SDGs. Two types.

Use of Proceeds (UoP) Bonds:

1. Green Bonds: Used for environmental projects (renewable energy, biodiversity conservation, and clean transportation).
1. Social Bonds: For projects to improve social well-being (education and healthcare).
1. Sustainability Bonds: Combine environmental and social objectives.

Sustainability-linked Bonds (SLB):

1. Link financial characteristics to predetermined sustainability performance targets. If issuer fails targets, face penalties (higher coupon rates).

LOANS, CREDIT LINES, GUARANTEES

SOVEREIGN GUARANTEE

Concessional
Eligibility: Countries

- Investment Project Financing (IPF)
- Policy-based Loans
- Results-based Loans
- Credit Lines (phases)
- Guarantees

Lowering interest:

- Joint loans with Climate Funds

CORPORATE COLLATERAL

Non-concessional loans
Eligibility: Corporate companies
and private Specific Purpose
Vehicle (SPV)

- Investment Project Financing
- Credit Lines
- Guarantees

SUSTAINABILITY- LINKED LOANS (SLLs)

Concessional or non-concessional
Eligibility: Countries, Subnational govnmnt;
Public entities and PPP.

Interest rate tied to the borrower's
performance. Like SLBs, use of KPIs.

Incentives: Reduced interest rates once
borrower meets sustainability intermediate
and final targets.

External verification.

CASE: In Brazil, a Leak Reduction Project.
IFI provided a SLL. WU is benefited from
an interest rate reduction if achieves a
water loss target.

Nbs AS PART OF IPFs

- IPF on Social and Environmental Development Program: **Municipality of Sobral, Brazil.**
- Actions to restore degraded areas by installing **filtering gardens in tributaries of the Acaraú River.**



Municipality of Sobral in Brasil



Cost: USD 62,5 MM
CAF loan: USD 50 MM

- IPF: United Basin Program, in **Cuenca, Ecuador:** **Linear parks for** infiltration and to reduce surface runoff excess. Green-grey infrastructure.

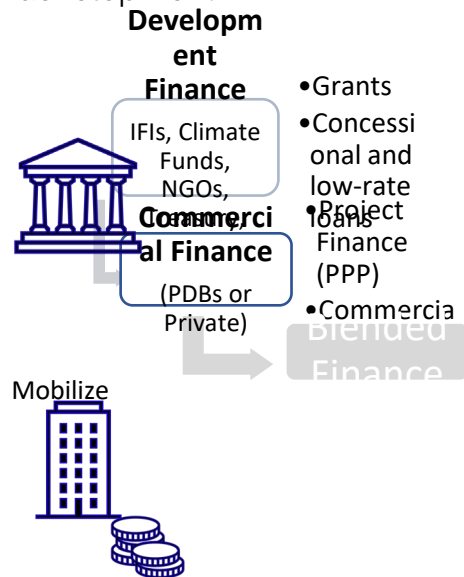






WATER FUNDS

- A financing mechanism for conservation that uses investments from downstream water users to fund upstream watershed protection (Trust Fund).
- These funds ensure a clean and reliable water supply at the source instead of addressing them downstream.
 - ✓ Investment: Water utilities, hydropower companies, bottling companies.
 - ✓ Financing conservation: Revenue from the fund (interest), for conservation projects upstream.
 - ✓ Upstream projects: Include improving management of small farms, strengthening conservation and reforestation.
- Some WF pay for community-wide reforestation projects upstream from urban centers: Quito, Ecuador, and Bogotá, Colombia.
- In Brazil's Atlantic Forest, municipalities collect fees from water users and make direct payments to farmers who protect and restore riverside forests on their land.

BLENDED FINANCE LOANS

Blended finance: Strategic use of development finance for mobilisation of additional finance towards sustainable development.



-  Lower capital
-  Guarantees/insurance to reduce risk
-  Technical assistance for capacity building
-  Design/Project preparation

DEBT-for -FRESHWATER SWAP

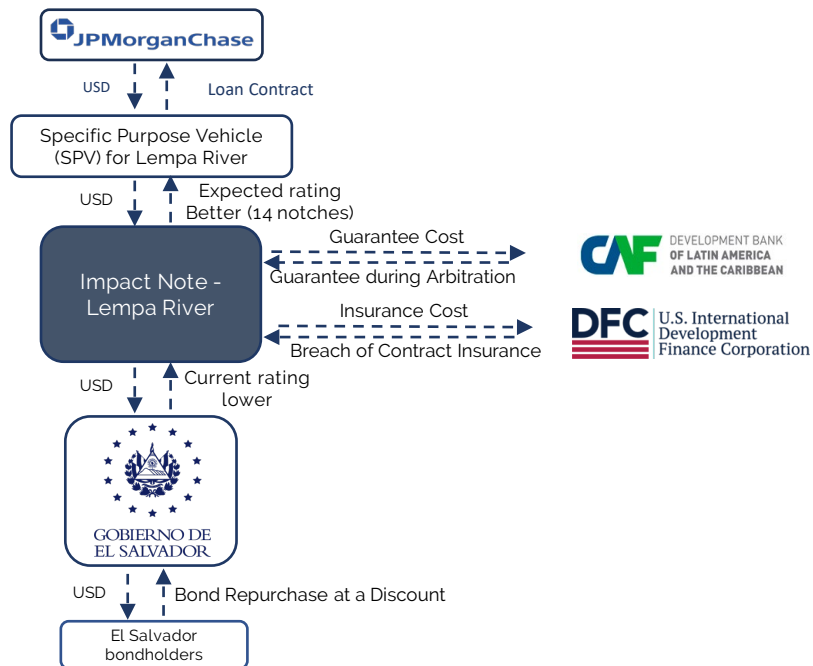
HISTORICAL OPERATION

First debt conversion for freshwater of USD 1 billion that will conserve the Lempa River basin, the most important basin in Central America, by means of savings of around USD 350 million

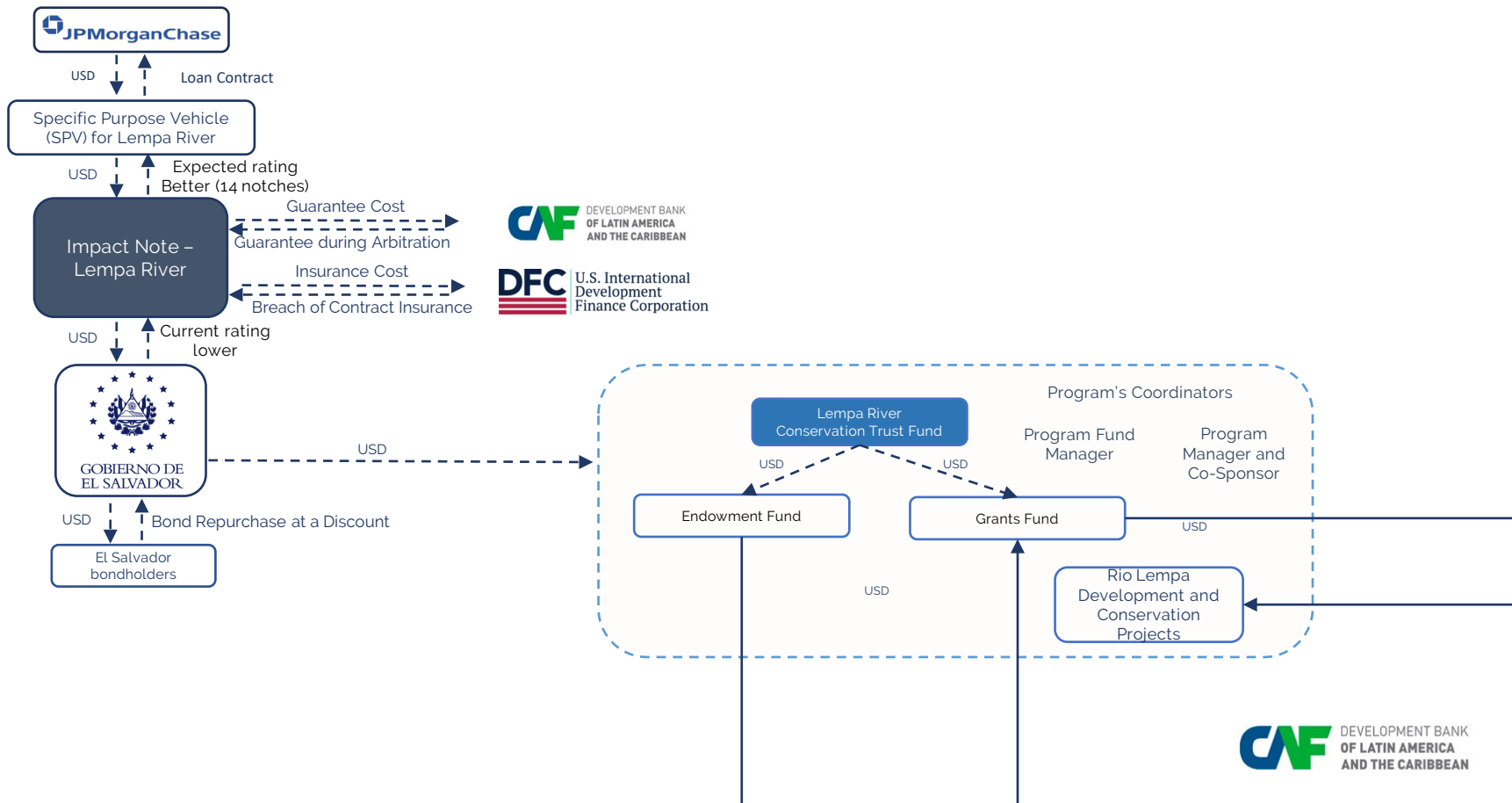


Operation Modality: Sovereign risk guarantee implemented under a Stand-by-Letter of Credit (SBLCs).

FINANCIAL ARRANGEMENT



FINANCIAL ARRANGEMENT



PROGRAMS



1

Improve water quality and watershed health through an IWRM approach.

2

Improve management and water use efficiency in all sectors, including agriculture, industry and domestic supply.

3

Restore biodiversity and ecosystem services through regenerative agriculture, and NbS.

4

Stimulate economic development and livelihoods, especially farming and rural-based enterprises.

5

Strengthen planning, management, and monitoring capacity of priority water resources.

6

Strengthen environmental policies and enforcement capacity at local and national levels.

Social Infrastructure Deal of the Year, Latin America
IJ Global Awards 2024

MOBILIZING NbS IN WATER PROJECTS

Water Project Preparation Facility CAF-PPSA: budget of USD 32 million. Allocation of USD 24 million, contributing to:

- **Accelerate investments** in many countries in LAC.
- **Improve the quality** of studies in the final stage before implementation.



