



# Sustainable Debt Framework



**Copyright © 2020 Inter-American Investment Corporation (IDB Invest).**

This work has been licensed under Creative Commons IGO 3.0 Attribution-Non Commercial-No Derivatives license (CC-IGO BY-NC-ND 3.0 IGO License) (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and can be reproduced with attribution to the IDB Invest and for any non-commercial purposes. No derivative works allowed.

This publication is not a compliance document. It should be taken only as a source of information, guidance and analysis, to be applied and implemented by each user in its discretion in accordance with its own policies and applicable laws, which may or may not require all or any of the described practices to apply to its own activities. The information and opinions within this publication are not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific professional advice relevant to particular circumstances.

IDB Invest does not guarantee the accuracy, reliability or completeness of the content included in this publication, or the conclusions or judgments described herein, and neither accepts any responsibility or liability for any omissions or errors or misleading statements (including, without limitation, typographical errors and technical errors) in the content whatsoever, or for reliance thereon.

The findings, interpretations, and conclusions expressed in this publication do not necessarily reflect the views of the Executive Directors or any members of the Board of Executive Directors of the Inter-American Investment Corporation, or the governments they represent.

Certain parts of this publication may link to external Internet sites, and other external Internet sites may link to this publication. IDB Invest is not responsible for the content of any external references.

Nothing herein shall constitute or be considered to be a limitation upon, or waiver of, the respective privileges and immunities of IDB Invest, all of which are specifically reserved.

# Contents

<b>1. IDB Invest and its Approach to Sustainability</b>	<b>4</b>
<b>2. IDB Invest Sustainable Debt Framework</b>	<b>6</b>
<b>2.1 Use of Proceeds</b>	<b>7</b>
<b>2.1.1 Social Project Categories</b>	<b>8</b>
<b>2.1.2 Green Project Categories</b>	<b>10</b>
<b>2.1.3 Exclusion List</b>	<b>11</b>
<b>2.2 Process for Project Selection and Evaluation</b>	<b>12</b>
<b>2.3 Management of Proceeds</b>	<b>14</b>
<b>2.4 Reporting</b>	<b>16</b>
<b>3. External Review</b>	<b>18</b>
<b>3.1 Second Party Opinion</b>	<b>18</b>
<b>3.2 Verification of Allocation Report</b>	<b>18</b>
<b>4. Amendments to the Framework</b>	<b>18</b>
<b>5. Disclaimer</b>	<b>19</b>
<b>Annex 1. Examples of Potential Projects and Indicators</b>	<b>20</b>
<b>Potential Social Projects and Indicators</b>	<b>21</b>
<b>Potential Green Projects and Indicators</b>	<b>23</b>
<b>Annex 2. Impact Management Framework</b>	<b>27</b>
<b>Annex 3. IDB Invest Sustainability Policies and Practices</b>	<b>31</b>

# 1. IDB Invest and its Approach to Sustainability



IDB Invest, a member of the Inter-American Development Bank Group (IDB Group), is a multilateral development bank committed to promoting the economic development of its member countries in Latin America and the Caribbean through the private sector. IDB Invest finances sustainable companies and projects to achieve financial results and maximize economic, social, and environmental development in the region.

As a member of the IDB Group, IDB Invest's activities are guided by the **IDB Group's**

**Institutional Strategy**, joint **Country Strategies** and IDB Invest business plan.

The implementation of the Institutional Strategy is monitored through the IDB Group's **Corporate Results Framework (CRF)**, which sets institutional targets that map directly to the UN Sustainable Development Goals (**SDGs**). The IDB Invest indicators included in the CRF focus on areas where the private sector shows a higher potential contribution to the IDB Group's goals, specifically, the development challenges of "Productivity and

# ustainability



Innovation” and “Economic Integration” and the cross-cutting issues of “Gender Equality and Diversity” and “Climate Change and Environmental Sustainability”.

IDB Invest’s mandate is to maximize development impact while maintaining financial sustainability, a two-sided objective shared with many impact and ESG (environmental, social, and corporate governance) investors. To achieve this, IDB Invest developed its **Impact Management Framework**<sup>2</sup>, an end-to-end series of tools and

practices that support the complete project lifecycle and integrate impact and financial considerations into portfolio management.

Its Impact Management Framework allows IDB Invest to build, measure, and manage a portfolio of financially sustainable investments that contribute to the fulfillment of the SDGs. The framework is also fully aligned with common market practices, such as the **Impact Management Project’s** five dimensions of impact and the **Operating Principles for Impact Management**<sup>3</sup>.

<sup>2</sup> See Annex 2 for further explanation of the Impact Management Framework.

<sup>3</sup> IDB Invest’s alignment with these Principles was independently verified in 2020. See: Disclosure Statement: Operating Principles for Impact Management and the Independent verifier’s limited assurance report on the alignment of IDB Invest with the Operating Principles for Impact Management.

## 2. IDB Invest Sustainable Debt Framework

IDB Invest has designed this Sustainable Debt Framework (SDF) as an overarching tool ruling the issuance of **green, social, and sustainability debt instruments** in different formats (e.g., bearer or registered notes), tenors (e.g., medium-term bonds, long-term bonds, and commercial papers) and offering types (e.g., private placements or public offerings).

- **Green Debt Instruments:** the proceeds of which are exclusively allocated to Green Project Categories as described in section 2.1.1.
- **Social Debt Instruments:** the proceeds of which are exclusively allocated to Social Project Categories as described in section 2.1.2.
- **Sustainability Debt Instruments:** the proceeds of which are exclusively allocated to Green and Social Project Categories as described in section 2.1.1 and 2.1.2.

For ease of reading, green, social, and sustainability debt instruments will be referred to collectively as “**Sustainable Debt Instruments**” throughout the rest of this document.

The Sustainable Debt Framework is aligned with the Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020, and Sustainability Bond Guidelines (SBG) 2018 as published by the International Capital Market Association (ICMA).



# Sustainable



## 2.1 Use of Proceeds

The proceeds of the Sustainable Debt Instruments under the Sustainable Debt Framework will be used to finance and/or re-finance, in whole or in part, new or existing projects, with short- or long-term tenors from any of the following project categories defined below, which shall be considered as Eligible Projects.

Source: Stock

# 2.1.1 Social Project Categories

SBP categories	Sector	Potential Eligible Projects	Potential Target Population	Potential Contribution to SDGs
1. Affordable basic infrastructure	Social Infrastructure	<ul style="list-style-type: none"> <li>Health and education infrastructure.</li> <li>Deployment of ICTs in hospitals and clinics.</li> <li>Projects that promote access to education programs.</li> <li>Expansion or upgrade of learning spaces (schools, universities, private education services providers to complement public sector offering, etc.).</li> <li>ICTs to improve teaching and learning processes; promoting initiatives to close the gender and ethnic gaps in the education sector.</li> </ul>	<p><b>Projects that reach one or more of the following groups:</b></p> <ul style="list-style-type: none"> <li><b>Low-income population</b>, defined as individuals living above the poverty line but below the national median income.</li> <li><b>Vulnerable population</b>, defined as those with income of US\$4 to US\$10 a day per capita at Purchasing Power Parity (PPP).</li> <li><b>Poor population</b>, defined as those living in poverty based on a daily per capita income of less than US\$3.10 per day at 2011 PPP.</li> <li><b>Diverse population</b>, including indigenous peoples, African descendants, persons with disabilities, and LGBTQ+ persons.</li> </ul> <p><b>Excluded populations</b> refer to people excluded due to ethnicity, language, religion, political or other opinion, national or social origin.</p>	
	Transport	<ul style="list-style-type: none"> <li>Improvement of regional infrastructure to promote enhanced connectivity.</li> </ul>		
2. Access to essential services	Water and Sanitation	<ul style="list-style-type: none"> <li>Water and sanitation services.</li> <li>Wastewater collection and treatment.</li> </ul>	<ul style="list-style-type: none"> <li><b>MSMEs</b>, defined based on the common reporting definition in the host country and/or the definition used by the financial intermediaries supported, to categorize their loan portfolio according to the size of sub-borrowers.</li> <li><b>Women-led MSMEs, and/or women-headed households.</b> A women-led business is defined as an enterprise which: is controlled at least 51% by women or where the Chief Executive Officer (CEO) and/or Chief Operations Officer (COO) or equivalent (highest managerial) position(s) (e.g., General Manager, President) is held by a woman; or client's definition.</li> </ul>	
	Energy	<ul style="list-style-type: none"> <li>Energy services</li> </ul>		
3. Food security and sustainable food systems 4. Employment generation and programs to alleviate unemployment from socio-economic crises	Agribusiness and Manufacturing	<ul style="list-style-type: none"> <li>Modernization and productivity increase in agriculture or firms.</li> <li>Investments to boost sector growth and exports.</li> <li>Projects that benefit a region with a high incidence of poverty/ economic vulnerability, or target beneficiaries from the poor or vulnerable strata.</li> </ul>		
	Telecom	<ul style="list-style-type: none"> <li>Technology, media, and telecom (TMT) services, including fixed or mobile broadband, and mobile voice services.</li> <li>Rehabilitation/ reinforcement of long-haul network infrastructure and overloaded urban networks and associated facilities.</li> </ul>		
5. Socio-economic advancement and empowerment	Financial Institutions and Fintech	<ul style="list-style-type: none"> <li>Access to finance.</li> <li>Financial inclusion and microfinance.</li> <li>Digitalization.</li> </ul>		



Source: Stock

# 2.1.2 Green Project Categories

GBP Category	Potential Eligible Projects	SDGs
<b>1. Renewable energy</b>	<ul style="list-style-type: none"> <li>• Power generation from renewable sources.</li> <li>• Energy efficiency (street lighting, new/renovated buildings, EDGE certification).</li> <li>• Transmission lines and distribution systems to enable the penetration of renewable energy generation.</li> </ul>	   
<b>2. Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Energy efficiency investments designed to reduce energy consumption from a baseline.</li> </ul>	   
<b>3. Clean transportation</b>	<ul style="list-style-type: none"> <li>• Clean public transportation</li> </ul>	 
<b>4. Environmentally sustainable management of living natural resources and land use</b>	<ul style="list-style-type: none"> <li>• Climate smart agriculture<sup>4</sup>, reforestation, biodiversity, and ecosystems conservation.</li> <li>• Investments to ensure adequate management of the availability, quality and use of water resources.</li> <li>• Projects that promote innovative green infrastructure interventions and measures for the mitigation of GHG emissions and adaptation to disaster risks and climate change, including risk management for droughts, floods, and sea level rise.</li> <li>• Conversion of non-certified production to third-party certified production.</li> <li>• Waste reduction and recycling.</li> </ul>	  
<b>5. Climate change adaptation and climate resilience</b>	<ul style="list-style-type: none"> <li>• Investments that address current and expected effects of climate change, where such effects are material for the context of those activities.</li> <li>• Green lines on lending for the adoption of a product, equipment, technology or service that helps to manage physical climate risks and related impacts, and adapt to climate change.</li> </ul>	 
<b>6. Sustainable water and wastewater management</b>	<ul style="list-style-type: none"> <li>• Investments that materially reduces the use of water per unit of production from a baseline.</li> </ul>	

<sup>4</sup> IDB Invest follows the FAO definition of CSA. For more information see <http://www.fao.org/climatechange/epic/que-hacemos/que-es-la-agricultura-climaticamente-inteligente/es/#.YAndiNhKg2w>

## 2.1.3 Exclusion List

The IDB will not knowingly finance, directly, or indirectly through financial intermediaries (FIs), projects involved in the production, trade, or use of the products, substances or activities listed below. Additional exclusions may apply in the context of a specific operation.

### 1. Prohibited Activities

Activities that are illegal under host country laws, regulations or ratified international conventions and agreements, or subject to international phase out or bans, such as:

- i. Polychlorinated biphenyl compounds (PCBs).
- ii. Pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans.
- iii. Persistent Organic Pollutants (POPs).
- iv. Ozone depleting substances subject to international phase out.
- v. Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)<sup>1</sup>.
- vi. Transboundary trade in waste or waste products, except for nonhazardous waste destined for recycling.
- vii. Lead paint or coatings in the construction of structures and roads. Activities that are illegal under host country laws, regulations or ratified international conventions and agreements relating to the protection of biodiversity resources or cultural heritage.

### 2. Other Activities

a) Activities that, although consistent with a country's legal and/or regulatory framework may generate particularly significant adverse impacts on people and/or the environment.

- I. Weapons, ammunitions, and other military goods/technology.
- ii. Tobacco
- iii. Gambling, casinos and equivalent enterprises.
- iv. Radioactive materials.
- v. Unbonded asbestos fibers or asbestos-containing products.
- vi. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

b) Activities that are inconsistent with the IDB's commitment to address the challenges of climate change and promote environmental and social sustainability.

- I. Thermal coal mining or coal-fired power generation and associated facilities.
- ii. Upstream oil exploration and development projects.
- III. Upstream gas exploration and development projects. Under exceptional circumstances and on a case-by-case basis, consideration will be given to financing upstream gas infrastructure where there is a clear benefit in terms of energy access for the poor and where greenhouse gas (GHG) emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.

## 2.2 Process for Project Selection and Evaluation

IDB Invest applies its Impact Management Framework throughout the project cycle, which is underpinned by three pillars: Strategic Selectivity, Development Impact, and Systemic Approach. The first pillar, Strategic Selectivity, guides the business development process to select projects with the biggest impact potential, focusing on key priority areas: climate change, gender equality and diversity and inclusion, MSMEs, and serving the region's smaller economies and small and island countries. Once identified, projects enter the approval process which includes the following stages:



### 1 Client Engagement:

The main purpose of this stage is to gather preliminary information on existing and potential clients and the prospective project to determine its viability and confirm its alignment with IDB Invest's strategic priorities and policy requirements.

### 2 Path to approval:

This stage includes conducting comprehensive due diligence and an in-depth analysis of the transaction's credit and non-credit components, including creditworthiness, development impact, legal aspects, and ESG risk. To be approved, projects must obtain a minimum score of 5 in the Development Effectiveness Learning, Tracking and Assessment Tool (DELTA), a fact-based scoring system that assigns each project a score from zero to 10, which is tracked and updated throughout implementation<sup>5</sup>. Projects must also fully comply with IDB Invest's Environmental and Social Sustainability Policy and Corporate Governance Guidelines<sup>6</sup>.

<sup>5</sup> See Annex 2 for more detail on our development impact assessment process.

<sup>6</sup> See Annex 3 for more detail on our ESG due diligence process.



Source: Stock

# 4.

## **Supervision and Recovery:**

The purpose of transaction supervision is: (i) to monitor IDB Invest's exposure at both the transaction and portfolio levels, to promptly detect material facts and circumstances (including integrity, environmental and social, human rights violations, reputational, Business Conflicts of Interest or corporate governance risks) that may affect any of the transactions and to react with preemptive actions to address in a timely manner any situation that could jeopardize IDB Invest's interests or successful transaction implementation; and (ii) to monitor the progress of each transaction in reaching development objectives, to promptly detect deviations and circumstances that may affect the likelihood of reaching developmental goals and to implement corrective actions when possible.

# 3.

## **Closing and First Disbursement:**

Following approval of the transaction, legal documents are duly prepared, negotiated and signed with the client and any relevant transaction counterparties. Once the relevant legal documents are signed, the disbursement procedure is initiated. The procedure encompasses the verification of the client's compliance with conditions precedent for the first disbursement or issuance of a guarantee.

# 5.

## **Impact measurement and evaluation:**

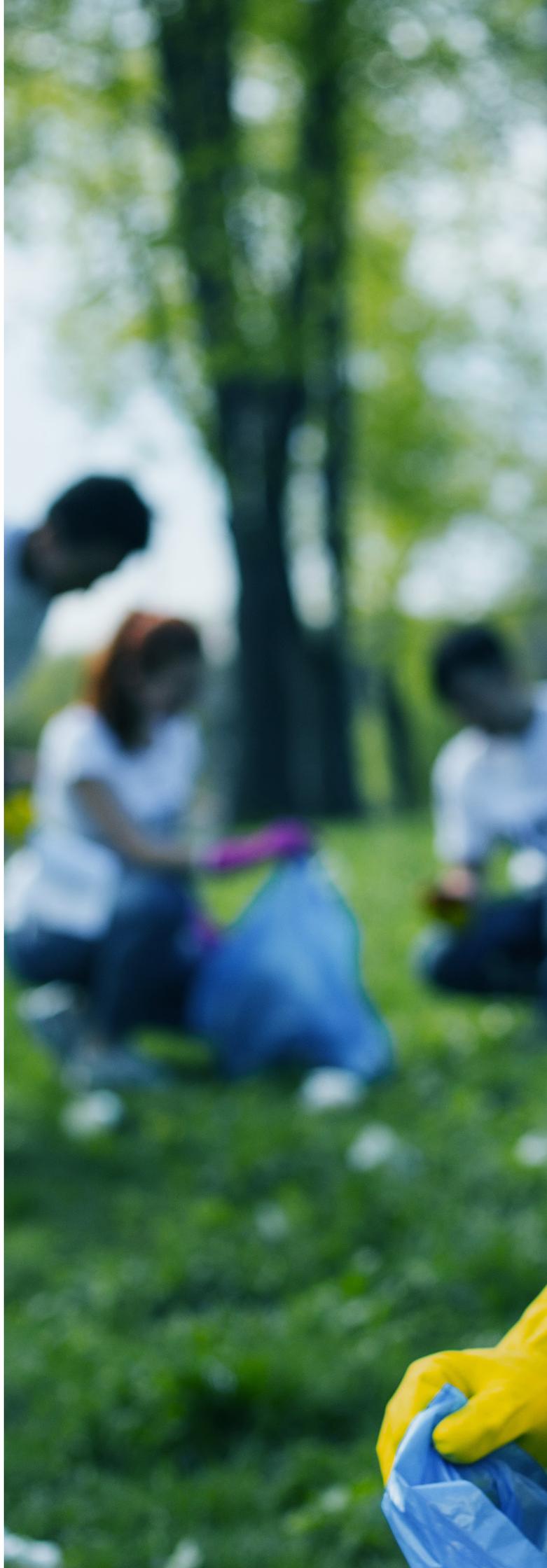
Upon completion, IDB Invest conducts a mandatory final self-evaluation for each operation in the portfolio. This evaluation compares the expected and actual impact of each project through a systematic assessment of its relevance, efficiency, effectiveness, and sustainability, as well as the main lessons learned, which feed into the design of new operations. Additionally, for some investments an in-depth evaluation is conducted to generate rigorous causal evidence about their effectiveness, helping to build the impact evidence base.

## 2.3 Management of Proceeds

The proceeds of the debt issued under this Framework will be deposited in IDB Invest's general treasury account. It will be allocated annually and until the debt is matured on a nominal equivalence basis to a pool of Eligible Projects as defined in the Use of Proceeds section.

Within two years from the date of issuance, IDB Invest's Treasury Division will allocate proceeds to Eligible Projects approved within the 24-month period preceding the date of issuance of a Sustainable Debt Instrument.

Until the full allocation of the net proceeds, IDB Invest will re-allocate or hold the balance of the debt proceeds in its general account and invest it in alignment with its conservative treasury investment guidelines.





Source: Stock

## 2.4 Reporting

On an annual basis and until the maturity of the bond, IDB Invest will publish on its website: (1) the allocation of the proceeds raised through the Sustainable Debt Instrument; and (2) an impact report specifying the environmental and social impact results achieved. Reporting information will include:

- The outstanding balance of Sustainable Debt Instruments under the framework allocated by country and sector.
- List of Eligible Projects with their respective financing and co-financing amount.
- The ratio of financing and refinancing.
- The remaining balance of unallocated proceeds, if applicable.
- Information on impact metrics achieved by the Eligible Projects financed, which may be quantitative and/or qualitative, and that includes mapping of the Eligible Projects to appropriate SDGs.
- Case studies.



Source: Stock

## 3. External review

### 3.1 Second Party Opinion

Vigeo Eiris (VE) has been appointed to assess transparency, governance, and the compliance of this Framework. The result of this assessment is included in the Second Party Opinion which is available on IDB Invest's website.

### 3.2 Verification of Allocation Report

Until the SDG Bonds mature, an independent auditor will annually verify the Allocation of proceeds to eligible loans.



## 4. Amendments to the Framework

The Framework will be updated periodically to reflect updates to the Eligible Projects or to the GBP, SBP, or SBG. Such updates will be subject to a review by a qualified independent external reviewer. Any future updated version of this Framework may improve the current levels of transparency and reporting disclosure requirements, including the corresponding review by the external reviewer.

## 5. Disclaimer

This information is being delivered to a limited number of prospective investors in order to assist them in determining whether they have an interest in the type of securities offered from time to time by IDB Invest. By accepting this information, the recipient agrees that it will, and it will cause its directors, partners, officers, employees, and representatives to, use the information only to evaluate the potential interest in the securities offered from time to time by IDB Invest and for no other purpose. This information has been prepared solely for informational purposes and is not an offer to buy or sell, or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. No representation or warranty can be given with respect to the accuracy, timeliness, or completeness of the information, or that any future offer of securities will conform to any potential terms mentioned in this information. If any such offer of securities is made, it will be made pursuant to a definitive offering document, prepared by IDB Invest, which would contain material information not contained herein and to which prospective purchasers are referred. In the event of any such offering, this information shall be deemed superseded, amended, and supplemented in its entirety by such offering document. The information contained herein does not purport to contain all of the information that may be required to evaluate any purchase of securities and any recipient is encouraged to read the corresponding offering document. Any decision to invest in such securities should be made solely in reliance upon such offering document. Potential investors should also conduct appropriate investigations and consult

their legal, accounting and tax advisors to make an independent determination of the data contained herein and of the suitability and consequences of an investment in the securities of IDB Invest. Because this information is provided solely for general informational purposes and may or may not, at the time of its receipt, remain accurate, timely and complete, IDB Invest disclaims any and all liability relating to this information, including without limitation any express or implied representations or warranties for, statements contained in, and omissions from, this information. All information should be read in conjunction with the applicable definitive offering document and any applicable amendment or supplement thereto. This document contains or makes reference to various dates but makes no representation for subsequent events. Additional information is available upon request. Past performance is not necessarily indicative of future results.

# Annex 1. Examples of Potential Projects and Indicators

# Potential Social Projects and Indicators

SBP categories	Examples of Potential Projects	Potential Indicators
<b>1. Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>Improved access and quality of social services such as health, education, and water and sanitation; includes public-private partnerships (PPPs) and contracts for private delivery with a focus on social inclusion.</li> <li>Expansion and upgrade of healthcare infrastructure (hospitals and/or clinics).</li> <li>Greenfield healthcare infrastructure.</li> <li>Technology upgrades to increase efficiency, access, quality and delivery of healthcare services; prevention and early detection programs for underserved populations.</li> <li>International certification and support for professional certification programs</li> </ul>	<ul style="list-style-type: none"> <li>Students benefited by education projects (#).</li> <li>Students from underserved and/or diverse or excluded population benefited by education projects (#).</li> <li>Educational facilities built or Upgraded.</li> <li>Beneficiaries receiving health services (#).</li> <li>Beneficiaries from underserved and/or diverse or excluded population receiving health services (#).</li> </ul>
	<ul style="list-style-type: none"> <li>Expansion of the coverage and upgrade of transportation networks (roads, ports, railways, and airports). Urban mass transit systems (BRT, metro, etc.).</li> <li>Rural, urban, and interurban roads, including their construction, upgrading, improvement, or rehabilitation.</li> </ul>	<ul style="list-style-type: none"> <li>Roads built or upgraded (km).</li> <li>Urban rail and bus mass transit systems built or upgraded (km).</li> <li>Average daily passenger traffic - passengers (#).</li> <li>Average daily traffic - vehicles (#).</li> <li>Container cargo handling capacity - TEUs/year.</li> </ul>
<b>2. Access to essential services</b>	<ul style="list-style-type: none"> <li>New or improved access to a water source (drinking water).</li> <li>New or improved access to sewerage systems; or access to adequate individual sanitation facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Households with improved access to water or sanitation (#).</li> <li>Households from underserved and/or diverse or excluded populations with improved access to water or sanitation (#).</li> <li>Average hours of continuous water supply per day.</li> </ul>
	<ul style="list-style-type: none"> <li>New or improved access to energy services (grid-connected or off-grid) including: (i) electricity supply, (ii) clean cooking technologies or (iii) heating technologies.</li> <li>Transmission lines and distribution systems to enable the penetration of renewable energy generation.</li> </ul>	<ul style="list-style-type: none"> <li>Households with improved access to energy services (#)</li> </ul>

# Potential Social Projects and Indicators

SBP categories	Examples of Potential Projects	Potential Indicators
<p><b>3. Food security and sustainable food systems</b></p> <p><b>4. Employment generation and programs to alleviate unemployment from socio-economic crises</b></p>	<ul style="list-style-type: none"> <li>Investments in agricultural research and technology transfer, development of new varieties to heat stress and flooded areas and technologies for land management that are more productive and climate resilient varieties and technologies for sustainable land management.</li> <li>Adoption of information systems to foster data collection, dissemination, and analysis in order to improve and inform decision making, efficiency, productivity, and sustainability.</li> <li>Agricultural health and food safety services to meet national and international standards.</li> <li>Linking farmers and MSMEs to client companies as suppliers, buyers, contractors, or farming employees.</li> </ul>	<ul style="list-style-type: none"> <li>Beneficiaries of employment support initiatives (#).</li> <li>Women beneficiaries of economic empowerment initiatives (#).</li> <li>Diverse population beneficiaries of economic empowerment initiatives (#).</li> <li>Jobs supported (#).</li> <li>Enterprises provided with technical assistance (#).</li> <li>Farmers and MSME with improved access to agricultural services and investments (#).</li> <li>Production capacity (TBD based on specific project).</li> <li>Total value of sales (\$ Million).</li> <li>Value of exports sales (\$ Million).</li> </ul>
<p><b>5. Socio-economic advancement and empowerment</b></p>	<ul style="list-style-type: none"> <li>Enabling access of MSMEs and women-owned/led, MSMEs to credit.</li> <li>Enabling access of households and low-income households to credit.</li> <li>Supply chain financing: integration of small and medium farmers and MSMEs into value chains, through greater access to financial services (i.e., financing through anchor companies).</li> <li>Trade Finance Facilitation Program.</li> </ul>	<ul style="list-style-type: none"> <li>Beneficiaries with new access to at least a 4G mobile network (%).</li> <li>Kilometers of new lines or of lines upgraded (long-haul/backhaul/metro, fiber optics or other technologies).</li> <li>Amount of international trade supported (\$).</li> <li>MSMEs financed (#).</li> <li>Value of loans disbursed to MSMEs (\$ Million).</li> <li>Women beneficiaries of economic empowerment initiatives (#).</li> </ul>

# Potential Green Projects and Indicators

Potential Eligible Projects	Examples of Eligible Projects	Potential Indicators
<p><b>Power generation from renewable sources (wind, solar, hydro, biomass, geothermal)</b></p> <p>Transmission lines and distribution systems to enable the penetration of renewable energy generation</p>	<ul style="list-style-type: none"> <li>• Wind power.</li> <li>• Solar power (photovoltaic power PV and concentrated solar power).</li> <li>• Ocean power (wave, tidal, ocean currents, salt gradient, etc.).</li> <li>• Bio-digestors or biomass plants using crop waste material (from food and fiber production) or processing by-products such as bagasse, timber waste and animal manure.</li> <li>• Solar thermal (residential, commercial, and industrial).</li> <li>• Hydro (up to 50 MW)</li> <li>• Geothermal</li> </ul>	<ul style="list-style-type: none"> <li>• Installed power generation from renewable energy sources (MW).</li> <li>• New/upgraded power transmission lines (km).</li> <li>• Energy generated from renewable sources (MWh).</li> <li>• Households from underserved and/or diverse or excluded populations with improved access to energy services (#).</li> <li>• Emissions avoided (annual tons CO2 equivalent).</li> </ul>
<p><b>Energy efficiency investments designed to reduce energy consumption from a baseline.</b></p>	<ul style="list-style-type: none"> <li>• Heat recovery for hot water (from A/C or refrigeration systems).</li> <li>• Repair/replacement of leaking steam traps.</li> <li>• Boiler upgrades (hot water boilers with nominal efficiency greater than 90%; steam boilers with nominal efficiency (greater than 86%).</li> <li>• Lighting upgrades from incandescent to CFL or LED or from fluorescent to LED or T8/T5.</li> <li>• Purchase IE2 or IE3 motors, or replacement of IE1 with IE2 or IE3</li> <li>• Appliances/equipment with Energy Star label.</li> <li>• Leadership in Energy and Environmental Design (LEED) certificate as defined by the U.S. Green Building Council.</li> <li>• IFC's Excellence in Design for Greater Efficiencies (EDGE) certificate.</li> <li>• "BRE" Environmental Assessment Method (BREEAM) certificate as defined by the Building Research Establishment.</li> <li>• CASA Colombia (formalized in CONPES 3919 "Política Nacional de Edificaciones Sostenibles").</li> </ul>	<ul style="list-style-type: none"> <li>• Energy savings (MWh).</li> <li>• Fossil fuels saved (gal, l).</li> <li>• Emissions avoided (annual tons CO2 equivalent).</li> </ul>

# Potential Green Projects and Indicators

Potential Eligible Projects	Examples of Eligible Projects	Potential Indicators
<p><b>Clean public transportation:</b></p>	<ul style="list-style-type: none"> <li>• Replacement of bus motors. Based on a reduction of at least 20% in particulate matter, the following replacements are eligible: Euro I to Euro V or higher, Euro II (96) to Euro V higher, Euro II (98) to Euro V or higher, Euro III to Euro V or higher, Euro V to Euro VI.</li> <li>• New vehicles for private use: electric, hybrid, hydrogen, CNG and LPG.</li> <li>• Commercial fleets: Replacement of gasoline or diesel fleets with electric, hybrid, hydrogen, CNG or LPG.</li> </ul>	<ul style="list-style-type: none"> <li>• Emissions avoided (annual tons CO2 equivalent).</li> </ul>
<p><b>Climate-smart agriculture, reforestation, biodiversity, and ecosystems conservation</b></p> <p><b>Conversion of non-certified production to third-party certified</b></p> <p><b>Investments to ensure adequate management of the availability, quality and use of water resources</b></p>	<ul style="list-style-type: none"> <li>• Investments to promote the use of native or traditional livestock and crops, and silvo-pastoral systems, if no conversion of natural land is involved.</li> <li>• Conversion of non-certified production to third-party certified.</li> <li>• Investments to ensure adequate management of the availability, quality and use of water resources.</li> <li>• Acquisition and installation of solar and wind power (for example for water-pumping systems, or electrification of CAFOs).</li> <li>• Livestock projects that reduce methane or other GHG emissions (for example, manure management with biodigesters, and improved feeding practices to reduce methane emissions).</li> <li>• Acquisition of equipment and other investments that permit elimination of soil tillage.</li> <li>• Investments to reduce food loss and waste along the food chain, during production, processing and distribution.</li> <li>• Diversification or transition to viable and alternative crops.</li> <li>• Eligible certifications include: Agriculture: Better Cotton Initiative, Bonsucro, IFOAM, ISCC (Food, Bio-Based Products, Feed,</li> </ul>	<ul style="list-style-type: none"> <li>• Value of investments in resilient and/or low-carbon infrastructure.</li> <li>• Fossil fuels saved (gal, l).</li> <li>• Tons of CO2 sequestered.</li> </ul>



# Potential Green Projects and Indicators

Potential Eligible Projects	Examples of Eligible Projects	Potential Indicators
	<p>Energy), ProTerra, Rainforest Alliance Standard, Roundtable on Responsible Soy (RTRS), Roundtable on Sustainable Palm Oil (RSPO), Roundtable on Sustainable Biomass (RSB), Soil Association Organic, Sustainable Forestry: Forest Stewardship Council (FSC), Program for the Endorsement of Forest Certification (PEFC)</p>	
<p><b>Investments to lower the risks or vulnerability posed by climate change.</b></p>	<ul style="list-style-type: none"> <li>• Rainwater harvesting, storage and distribution.</li> <li>• Water recovery systems with treatment for 100% reuse (industrial, agricultural or commercial).</li> <li>• Faucets and showerheads with WaterSense Certification.</li> <li>• Toilets: “tank type” and “pressure type” toilets that meet the WaterSense threshold of 1.29 gpf (4.8 lpf).</li> <li>• Urinals: residential urinals with less than 0.5gpf (WaterSense standard). Commercial and public buildings: waterless urinals.</li> <li>• Conversion from open and canal irrigation systems to drip irrigation systems, related system components and installation. Note: Advice by technical expert on suitable technical specifications and dimensions of the system, correct installation and use is recommended to avoid malfunctioning of the system.</li> <li>• Drip irrigation and micro-sprinkler systems in previously non-irrigated agricultural lands. Note: Advice by technical expert on suitable technical specifications and dimensions of the system, correct installation and use is recommended to avoid malfunctioning of the system.</li> <li>• Pivot/rotary systems when replacing flood or gravity systems and contributing to more efficient water usage. Higher priority is given to investments that aim to achieve at least 20% improvements in water efficiency or resource efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased water availability through water savings or through the provision of additional usable water (<math>\Delta m^3/\text{year}</math>).</li> <li>• Increased energy availability through energy savings or through increased energy generation (<math>\Delta MWh/\text{year}</math>).</li> <li>• Increased agricultural potential through improvements in soil quality, for example reduced soil erosion, increased soil carbon content or reduced soil salinity. (e.g. <math>\Delta \text{tonnes}/\text{hectare}/\text{year}</math> (soil erosion)).</li> <li>• Reduced weather-related disruption (reduction in the amount of time that a system or elements of a system are rendered inoperable (i.e., lost operational expenditure) due to acute climate risks (e.g. <math>\Delta \text{days}/\text{year}</math> downtime).</li> <li>• Reduced weather-related damage.</li> <li>• Meters of coastline protected.</li> <li>• Hectares of natural habitat restored/preserved.</li> <li>• Increased income, or avoided decrease in income.</li> <li>• Number of people directly supported by the project to adapt to climate change (disaggregated by gender).</li> </ul>

# Potential Green Projects and Indicators

Potential Eligible Projects	Examples of Eligible Projects	Potential Indicators
<p>Investments that materially reduce the use of water per unit of production from a baseline</p>	<p><b>Agriculture sector:</b></p> <ul style="list-style-type: none"> <li>• Priorities to environmentally friendly technologies used to adapt to water scarcity in agriculture (e.g., pressurized irrigation technologies using sprinkler, drip, minisprinkler, or high-efficiency drip systems; water catchment and harvesting, storage, and distribution)</li> <li>• Adoption of climate resilient crop varieties</li> <li>• Technology for seed, grain and crop storage</li> <li>• Soil management to avoid erosion (e.g., high precision laser land leveling to reduce runoff).</li> </ul> <p><b>Cross sector:</b></p> <ul style="list-style-type: none"> <li>• Water saving technologies and water.</li> <li>• Loss reduction technologies to adapt to water scarcity (e.g., smart water meters, pressure control equipment).</li> <li>• Adoption of energy technology that enhances the reliability and security of electricity supply (e.g., solar pumps for irrigation, highly efficient air conditioning systems, solar dehydrators, biodigestors).</li> <li>• Ecosystem conservation (e.g., river protection, reforestation with native species, constructed wetlands and artificial reefs).</li> <li>• Adoption of hydrometeorological and climate information services, weather and climate analytics, remote sensing-based tools for physical climate risk exposure assessment.</li> <li>• Geosynthetic products (geotextiles, geogrids, geonets, geomembranes, geofabric, geocells, and geocomposites) that help to control floods, manage erosion, and provide protection against damage from waves or currents.</li> <li>• Green buildings (e.g., investments in improvements that will increase resilience such as rainwater collection, green roofs, insulation, others).</li> </ul>	<ul style="list-style-type: none"> <li>• Water savings (m<sup>3</sup>).</li> <li>• Wastewater treated (m<sup>3</sup>).</li> </ul>



# Annex 2. Impact Management Framework

IDB Invest's Impact Management Framework is rooted in a portfolio approach that seeks to balance impact and financial sustainability and is based on three founding strategic pillars:

i) **Strategic Selectivity**, which allows for the selection of projects with the greatest impact potential, focusing on the deepest development challenges and key priority areas: climate change, gender equality and diversity, MSMEs, as well as serving the region's smaller economies including small and island countries.

ii) **Development Impact**, which prioritizes impact first from deal origination to ex-post evaluation, in addition to ensuring financial sustainability.

iii) **Systemic Approach**, which maximizes IDB Invest's limited resources focusing on projects with the potential to transform markets or industries through demonstration effects, market linkages, or knowledge and innovation, as well as those with strong catalytic capacity to mobilize private investment for sustainable development.

**Figure 1: The Impact Management Framework across the Project Cycle**



DELTA = Development Effectiveness Learning, Tracking, and Assessment Tool  
 FCR = Financial Contribution Rating  
 XSR = Expanded Supervision Report  
 IE = Impact Evaluations  
 DEA = Development Effectiveness Analytics Platform



The following is an overview of the tools that make up the Impact Management Framework across the project lifecycle, from how we target high-impact sector opportunities and systematically assess the expected impact of each investment to how we track, evaluate, and disseminate the impact achieved.

## 1. Selecting the right projects and clients

The Strategic Selectivity Scorecard identifies country private sector investment needs by industry, helping us pinpoint sectors where the development gaps are relatively deeper. This tool helps us guide project selection and resource allocation, in line with our development appetite and corporate targets, including a focus on small economies, small and island countries, MSMEs, climate change, and gender equality, diversity, and inclusion.

## 2. Assessing potential impact and designing projects for results

The impact potential of each investment is assessed with the Development Effectiveness Learning, Tracking, and Assessment tool (DELTA), a rigorous, fact-based scoring system that assigns a score from zero to 10, which is tracked and updated throughout implementation. Embedded within this score is an approximation of the economic and social rate of return (monetization) of each investment, complemented by a stakeholder analysis to ensure that the most important direct and indirect effects are considered, a sustainability assessment, and an assessment of the additionality that IDB Invest brings to the project.

The DELTA score is a key decision-making factor in IDB Invest's portfolio approach,

together with our Financial Contribution Rating, which assesses each transaction's contribution to IDB Invest's long-term financial sustainability. Proposed investments need to meet certain impact and financial rating thresholds to advance, with decreasing financial contribution requirements for highly impactful projects. In this way, we can build and manage a portfolio that maximizes development impact while maintaining financial sustainability and working toward meeting the SDGs in the region.

## 3. Managing and Evaluating the portfolio for impact

### Monitoring

In addition to the results matrix, which includes key indicators and targets, each project has a monitoring and evaluation plan that specifies the frequency, methods, sources, and responsibilities for data collection and analysis. As part of the annual supervision exercise that integrates both financial and impact performance, the DELTA Project Score is updated to reflect actual performance toward achieving impact targets set in the results matrix. Changes in project DELTA scores are factored into the overall tracking of portfolio-level progress toward delivering development outcomes. Similarly, the expected SDG contributions of each project in supervision are updated annually.

### Impact measurement and evaluation

IDB Invest conducts a mandatory final self-evaluation for each operation in the portfolio. This evaluation compares the expected and actual impact of each project through a systematic assessment of its relevance, efficiency, effectiveness, and sustainability, as well as the main lessons learned. The



Source: Stock

final performance rating of each evaluation is validated by the IDB Group's independent Office of Evaluation and Oversight. The lessons learned from these evaluations are classified and stored in our knowledge management system to feed into the design of new operations.

In addition, to further build the impact evidence base, we select some investments for more in-depth evaluations. By generating and sharing rigorous causal evidence about what works and does not work from our investments, we can help bolster the effectiveness of the broader impact investing industry as it continues to grow.

## 4&5. Impact analytics, learning and dissemination

### Impact analytics

The Development Effectiveness Analytics (DEA) platform visualizes data collected by the DELTA to help us analyze how the portfolio is evolving. Dashboards at the approval and supervision stages provide management with

real-time data to inform decision-making. Additional dashboards capture portfolio-level SDG contributions. The DEA also includes a repository of lessons learned from completed operations, showcasing which projects succeeded or failed in meeting their objectives and why. Lessons are then fed into current or new projects.

### Impact dissemination

Ensuring that we share the knowledge and learning generated from our operations and evaluations with clients, investors, and within the IDB Group is a cornerstone of our Impact Management Framework. IDB Invest publishes the results of our impact evaluations, sector knowledge gap analyses, and other studies in the Development through the Private Sector peer-reviewed technical note series. We distill study results further through concise two-page summaries (DEBriefs) and blogs (Negocios Sostenibles). In addition, we publish the SDG-aligned results and impact of our projects annually in the IDB Group's Development Effectiveness Overview. Knowledge sharing also involves working with clients to impart practical knowledge about how to measure and manage impact and other advisory services.



**Annex 3.  
IDB Invest  
Sustainability  
Policies and  
Practices**

## 3.1 Environmental and Social Sustainability Policy

IDB Invest's Environmental and Social Sustainability Policy is applied to all projects financed by IDB Invest. It also conveys IDB Invest's commitment to sustainable development, as the foundation of its approach to risk management, as well as its development mandate. During the appraisal, robust environmental and social risk management standards are applied. A detailed description on how this Policy is applied during the approval process is included in the Policy and a summary is provided below.

### 3.1.1 Environmental, Social and Corporate Governance (ESG) Due Diligence and Supervision

IDB Invest assesses the potential environmental and social risks and impacts of all projects in which it considers investing for compliance with host country laws and regulations and this Sustainability Policy and IDB Invest's Exclusion List prior to final approval. This assessment is based on the mitigation hierarchy approach whereby clients should avoid, minimize, or manage environmental, social and health and safety risks and impacts. IDB Invest requires its clients to comply with this Sustainability Policy, as well as the following IFC standards and guidelines: the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC) (the "Performance Standards") and the World Bank/IFC Environmental Health and Safety (EHS) Guidelines (including both General EHS guidelines and Industry Sector EHS Guidelines) (the "EHS Guidelines"). Any subsequent revisions to the above-mentioned Performance Standards and EHS Guidelines





will apply to this Sustainability Policy unless otherwise determined by IDB Invest's Board of Executive Directors.

IDB Invest will only finance operations that are expected to meet the Sustainability Policy's environmental and social requirements within a reasonable time frame. In certain cases, a project may not be in full compliance at the time of signing the legal agreement with IDB Invest, in which case approval of financing will be linked with the contractual obligation of achieving compliance within a designated timeframe. IDB Invest's investment agreements include obligations requiring clients to comply with applicable requirements of the Performance Standards and conditions included in action plans, as well as relevant provisions for environmental and social reporting, and supervision visits by IDB Invest staff or representatives, as appropriate. Persistent delays in meeting these requirements may lead to the exercise of remedies or withdrawal of financial support by IDB Invest, in its discretion.

Additionally, IDB Invest works with clients to assess firms' corporate governance practices and provide advice on how to improve them. This may include issues related to board effectiveness, representation of women and minority groups on company boards and in leadership positions, the control and accountability environment of a company, or engagement with different business partners.

IDB Invest has adopted the Corporate Governance Development Framework (CGDF), a common methodology amongst Development Finance Institutions for assessing corporate governance of investee companies. Under the CGDF, IDB Invest carries out the following activities: (i) integrates corporate governance in its investment operations, (ii) establishes an internal corporate governance function, (iii) provides training and capacity building, (iv) collaborates with other signatories, and (v) reports annually

on implementation. Through its technical assistance activities, IDB Invest provides private sector companies in Latin America and the Caribbean with direct corporate governance support, capacity-building programs, and other forms of assistance.

Finally, IDB Invest monitors projects for compliance with its ESG standards throughout implementation and the repayment period. This back-to-back approach to identifying and managing ESG risks provides a comprehensive framework to promote effective sustainability gains to its portfolio.

### 3.2 Access to information policy

IDB Invest is accountable for the use and management of its resources. As such, IDB Invest produces information regarding its activities and operations to enable its member countries, clients, third parties, and the public to learn about and stay up to date with IDB Invest's activities.

IDB Invest is responsible for disclosing this information in accordance with its Access to Information Policy. In addition, in accordance with the Policy, IDB Invest's business approach requires that, as part of the process of managing the risks and impacts of the investment projects, IDB Invest's clients engage with communities affected by their projects, including through the disclosure of information, in a manner that aligns with IDB Invest's Environmental and Social Sustainability Policy.

### 3.3 Independent Consultation and Investigation Mechanism - MICI

The IDB Invest' **Independent Consultation and Investigation Mechanism Policy** addresses the complaints from communities harmed by projects funded by any of the institutions that make up the IDB Group related to non-compliance with the Group's social and environmental standards.

### 3.4 Evaluation Policy Framework

The **IDB Group's Evaluation Policy Framework** defines the objectives of its evaluation system and learning, accountability and transparency activities. The Framework establishes the scope and principles that guide evaluation in the IDB Group, both for self-evaluations conducted by IDB and IDB Invest, as well as for independent evaluations conducted by the Office of Evaluation and Oversight (OVE). It also defines the roles and responsibilities within the evaluation system. Furthermore, the Framework stipulates OVE's periodic review, consistent with the practice of previous years.

OVE was established in 1999 as an independent evaluation office, to oversee performance and development effectiveness of IDB Group activities. These evaluations seek to strengthen the IDB Group through learning, accountability, and transparency. OVE evaluations are disclosed to the public in accordance with IDB Group policies to share lessons learned within the region and the development community at large.



