

IDB Invest

Type of Engagement: Annual Review

Date: 14 October 2024

Engagement Team:

Akshay Chandrakapure, akshay.chandrakapure@morningstar.com

Tomya Sardana, tomya.sardana@morningstar.com

Anjansingh Bist, anjansingh.bist@morningstar.com

Introduction

Inter-American Investment Corporation (“IDB Invest” or the “Bank”) issued four sustainability, six social and eight green bonds between 2021 and 2024 (collectively the “Sustainable Bonds”) and raised USD 4,981.56 billion to finance and refinance green and social projects in Latin America and the Caribbean. In 2024, IDB Invest engaged Sustainalytics to review the projects financed with proceeds from the Sustainable Bonds (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and the reporting commitments outlined in the 2020 IDB Invest Sustainable Debt Framework (the “Framework”).¹ This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in September 2022 and February 2024.^{2,3}

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and IDB Invest’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Access to Essential Services	Water and sanitation <ol style="list-style-type: none"> i. Water and sanitation services ii. Wastewater collection and treatment 	Water and sanitation <ol style="list-style-type: none"> i. Number of households with improved access to water or sanitation. ii. Number of households from underserved and/or diverse or excluded populations with improved access to water or sanitation iii. Average hours of continuous water supply per day.
	Energy <ol style="list-style-type: none"> i. Energy services 	Energy <ol style="list-style-type: none"> i. Number of households with improved access to energy services
Affordable Basic Infrastructure	Social infrastructure <ol style="list-style-type: none"> i. Health and education infrastructure ii. Deployment of ICTs in hospitals and clinics 	Social infrastructure <ol style="list-style-type: none"> i. Number of students benefited by education projects ii. Number of students from underserved and/or diverse or

¹ IDB Invest, “IDB Invest Sustainable Debt Framework”, (2020), at: https://www.idbinvest.org/sites/default/files/2022-11/Sustainable%20Debt%20Framework%20_low.pdf

² Sustainalytics, “IDB Invest Annual Review”, (2022), at: https://idbinvest.org/sites/default/files/2022-11/IDB%20Invest_Annual%20Review_FINAL.pdf

³ Sustainalytics, “IDB Invest Annual Review”, (2024), at: <https://idbinvest.org/sites/default/files/2024-09/IDB%20Invest%20Annual%20Review%202024.pdf>

	<ul style="list-style-type: none"> iii. Projects that promote access to education programs iv. Expansion or upgrade of learning spaces (schools, universities, private education services providers to complement public sector offering, etc.) v. ICTs to improve teaching and learning processes; promoting initiatives to close the gender and ethnic gaps in the education sector <p>Transport</p> <ul style="list-style-type: none"> i. Improvement of regional infrastructure to promote enhanced connectivity 	<p>excluded population benefited by education projects</p> <ul style="list-style-type: none"> iii. Educational facilities built or upgraded iv. Number of beneficiaries receiving health services v. Number of beneficiaries from underserved and/or diverse or excluded population receiving health services <p>Transport</p> <ul style="list-style-type: none"> i. Roads built or upgraded (km) ii. Urban rail and bus mass transit systems built or upgraded (km) iii. Number of average daily passenger traffic – passengers iv. Number of average daily traffic – vehicles v. Container cargo handling capacity – TEUs/ year
Employment Generation and Programs to Alleviate Unemployment from Socioeconomic Crises	<ul style="list-style-type: none"> i. Projects that benefit a region with a high incidence of poverty/ economic vulnerability, or target beneficiaries from the poor or vulnerable strata. 	<ul style="list-style-type: none"> i. Number of beneficiaries of employment support initiatives ii. Number of women beneficiaries of economic empowerment initiatives iii. Number of diverse population beneficiaries of economic empowerment initiatives iv. Number of jobs supported v. Number of enterprises provided with technical assistance
Food Security and Sustainable Food Systems	<p>Agribusiness and manufacturing</p> <ul style="list-style-type: none"> i. Modernization and productivity increase in agriculture or firms ii. Investments to boost sector growth and exports 	<ul style="list-style-type: none"> i. Number of farmers and MSME with improved access to agricultural services and investments ii. Production capacity (TBD based on specific project) iii. Total value of sales (USD million) iv. Value of exports sales (USD million)
Socioeconomic Advancement and Empowerment	<p>Telecom</p> <ul style="list-style-type: none"> i. Technology, media, and telecom (TMT) services, including fixed or mobile broadband, and mobile voice service ii. Rehabilitation/ reinforcement of long-haul network infrastructure and overloaded urban networks and associated facilities 	<ul style="list-style-type: none"> i. Beneficiaries with new access to at least a 4G mobile network (%). ii. Kilometers of new lines or of lines upgraded (long-haul/backhaul/metro, fiber optics or other technologies) iii. Amount of international trade supported (USD) iv. Number of MSMEs financed v. Value of loans disbursed to MSMEs (USD million)

	<p>Financial Institutions and Fintech</p> <ul style="list-style-type: none"> i. Access to finance ii. Financial inclusion and microfinance iii. Digitalization 	<ul style="list-style-type: none"> vi. Number of women beneficiaries of economic empowerment initiatives
Clean Transportation	<ul style="list-style-type: none"> i. Clean public transportation 	<ul style="list-style-type: none"> i. Emissions avoided (annual tonnes CO₂e)
Climate Change Adaptation and Climate Resilience	<ul style="list-style-type: none"> i. Investments that address current and expected effects of climate change, where such effects are material for the context of those activities. ii. 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. 	<ul style="list-style-type: none"> i. Increased water availability through water savings or through the provision of additional usable water (Δm³/year) ii. Increased energy availability through energy savings or through increased energy generation (ΔMWh/year) iii. Increased agricultural potential through improvements in soil quality, for example reduced soil erosion, increased soil carbon content or reduced soil salinity. (e.g., Δ tonnes/hectare/year (soil erosion)) iv. 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., Δdays/year downtime) v. Reduced weather-related damage vi. Meters of coastline protected vii. Hectares of natural habitat restored/preserved viii. Increased income or avoided decrease in income ix. Number of people directly supported by the project to adapt to climate change (disaggregated by gender)
Energy Efficiency	<ul style="list-style-type: none"> i. Energy efficiency investments designed to reduce energy consumption from a baseline. 	<ul style="list-style-type: none"> i. Energy savings (MWh) ii. Fossil fuels saved (gallon, litre) iii. Emissions avoided (annual tonnes CO₂e)
Environmentally Sustainable Management of Living Natural Resources and Use	<ul style="list-style-type: none"> i. Climate smart agriculture, reforestation, biodiversity, and ecosystems conservation. ii. Investments to ensure adequate management of the availability, quality and use of water resources. 	<ul style="list-style-type: none"> i. Value of investments in resilient and/or low-carbon infrastructure ii. Fossil fuels saved (gallon, litre) iii. Tonnes of CO₂ sequestered

	<ul style="list-style-type: none"> iii. 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. iv. Conversion of non-certified production to third-party certified production. v. Waste reduction and recycling 	
Renewable Energy	<ul style="list-style-type: none"> i. Power generation from renewable sources ii. Energy efficiency (street lighting, new/renovated buildings, EDGE certification) iii. Transmission lines and distribution systems to enable the penetration of renewable energy generation 	<ul style="list-style-type: none"> i. Installed power generation from renewable energy sources (MW) ii. New/upgraded power transmission lines (km) iii. Energy generated from renewable sources (MWh) iv. Number of households from underserved and/ or diverse or excluded populations with improved access to energy services v. Emissions avoided (annual tonnes CO₂e)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> i. Investments that materially reduces the use of water per unit of production from a baseline 	<ul style="list-style-type: none"> i. Water savings (m³) ii. Wastewater treated (m³)

Issuer's Responsibility

IDB Invest is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the IDB Invest Sustainable Bonds. The work undertaken as part of this engagement included collection of documentation from IDB Invest and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by IDB Invest. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by IDB Invest.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. IDB Invest informed that 75.1% of the net proceeds from the Sustainable Bonds were allocated by December 2023, and that it intends to allocate the remaining 24.9% by December 2025.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Expenditures to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Expenditures or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	IDB Invest reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reporting

Table 4: Allocation by Eligible Categories

Sustainability Theme	Use of Proceeds Category	Net Proceeds Allocated in 2022 (USD million)	Net Proceeds Allocated in 2023 (USD million)	Cumulative Allocated Amount (USD million)
Social	Access to essential services	15.27	45.99	174.27
	Affordable basic infrastructure	84.68	62.31	153.00
	Employment generation and programs to alleviate unemployment from socio-economic crises	18.11	19.00	294.11
	Food security and sustainable food systems	19.86	55.00	83.54
	Socioeconomic advancement and empowerment	355.46	240.00	1,394.44
Green	Clean transportation	15.50	47.46	62.96
	Energy Efficiency	1.00	-	21.38
	Renewable Energy	402.19	426.34	1,215.97
	Sustainable water and wastewater management	1.43	191.46	205.89
	Climate change adaptation and climate resilience	-	8.13	8.13
	Environmentally Sustainable Management of Living Natural Resources and Land Use	109.00	-	109.00
Total Allocated Amount		1,022.50	1,095.69	3,722.69
Total Unallocated Proceeds		1,093.48	1,543.47⁵	1,543.47
Total Net Proceeds Raised		2,115.98	1,255.48⁶	4,981.56

Table 5: Allocation by Country

Country	Net Proceeds Allocation in 2023 (USD million)	Cumulative Net Proceeds Allocation (USD million)
Argentina	-	6.00
Belize	-	4.00
Brazil	441.48	1,001.80
Chile	60.00	232.00
Chile and Colombia	8.13	8.13
Colombia	72.96	348.62

⁵ IDB Invest has communicated to Sustainalytics that USD 1,255.48 million is unallocated from the 2023 sustainability bond, and an additional USD 290 million remains unallocated as this amount consists of projects that were prepaid or repaid in full. However, the total unallocated proceeds amount to USD 1,543.47 million, which will be allocated by the end of 2025.

⁶ The number represents the amount which has been raised from the 2023 sustainability bond.

Costa Rica	-	20.00
Dominican Republic	104.88	124.88
Ecuador	10.00	236.37
El Salvador	-	171.88
Guatemala	-	100.00
Guyana	15.00	15.00
Haiti	7.50	7.50
Honduras	-	94.00
Jamaica	-	35.00
Mexico	31.42	335.14
Nicaragua	11.50	29.00
Panama	71.09	164.20
Paraguay	40.00	165.87
Peru	136.83	480.75
Regional	70.00	111.00
Uruguay	14.90	31.55
Total	1,095.69	3,722.69

Appendix 2: Reported Impact

Table 6: Cumulative Reported Impact from the Sustainable Bonds

Sustainability Theme	Use of Proceeds Category	Eligible Projects Financed	Reported Impact
Social	Access to essential services	Funding provided in Peru and Uruguay for new or improved access to tap water, energy services and educational facilities.	<ul style="list-style-type: none"> i. 495,936 households with improved access to water or sanitation ii. 16,759 students benefited by education projects iii. 718,483 residential gas connection
	Affordable basic infrastructure	Funding provided in Peru, Mexico Argentina, Colombia and Paraguay to expand and upgrade healthcare services, and for building or upgrading roads	<ul style="list-style-type: none"> i. 1,172,325 beneficiaries of health services ii. 170 km of roads built or upgraded
	Employment generation and programs to alleviate unemployment from socioeconomic crises	Funding provided in Panama, Haiti, Honduras, Ecuador, Nicaragua, Mexico and Belize to support the productive activities of the client companies with an impact on employment. Financing also supports the client value chain (farmers and MSMEs suppliers).	<ul style="list-style-type: none"> i. 42,948 jobs supported by firms ii. 684 beneficiaries of employment support initiatives iii. USD 4,527,418 million of goods purchased from domestic MSMEs iv. 5,616 domestic MSME suppliers
	Food security and sustainable food systems	Funding provided in the food and agribusiness sector of Guyana, Belize, Mexico and Paraguay to support capex and working capital to expand production capacity and boost exports.	<ul style="list-style-type: none"> i. USD 2,360 billion in total value of sales ii. USD 1,391,440 in value of exports sales iii. 2.500 farmers with improved access to agricultural services and investments
	Socioeconomic advancement and empowerment	Funding provided in certain Latin American countries ⁷ to enable access to credit for MSMEs, women-owned or -led MSMEs, and low-income households	<ul style="list-style-type: none"> i. 34,810 MSMEs financed ii. 130,163 women beneficiaries of economic empowerment initiatives iii. USD 2,150.2 billion of trade promoted iv. 1,317,421 loans disbursed to women owned MSME
Green	Clean transportation	Funding provided to support acquisition of green mobility in Colombia	<ul style="list-style-type: none"> i. 29,000 tonnes of CO₂ emission avoided
	Energy Efficiency	Funding provided in Ecuador, Colombia and Brazil in energy efficiency projects that result in energy savings that help reduce or avoid GHG emissions.	<ul style="list-style-type: none"> i. 79,546 MWh of energy saved ii. 66.18 tonnes of CO₂ avoided
	Environmentally sustainable management of living natural resources and land use	Funding provided in Brazil in projects pertaining to sustainable management of living natural resources and land use that can help sequester carbon.	<ul style="list-style-type: none"> i. 1,627,747 MWh energy generated

⁷ Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Panama, Paraguay and Peru.

	Renewable Energy	Funding provided in Brazil, Chile, Colombia, Mexico, El Salvador, Ecuador, Peru among many others for investment in solar and wind power generation, as well as transmission lines and distribution systems to enable the penetration of renewable energy generation.	<ul style="list-style-type: none"> i. 2,250 MW of installed power generation from renewable energy sources ii. 15.792,526 MWh of energy generated from renewable sources
	Sustainable water and wastewater management	Funding provided in Brazil for the expansion of sanitation services and water-treatment infrastructure serving the metropolitan region of Recife.	<ul style="list-style-type: none"> i. 336,713,187 m³ of wastewater treated

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an “expert opinion” or “negative assurance letter” as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose Sustainalytics has not independently verified any such information or data. The deliverables are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.

