Improving Lives in Latin America and the Caribbean
Sustainable Development Bond Framework
THE IDB AND SUSTAINABLE DEVELOPMENT

**IDB’s Mission**: To improve lives in Latin America and the Caribbean countries by supporting efforts to reduce poverty and inequality in a sustainable, climate friendly way.

- Long-term economic growth and the reduction of poverty and inequality in Latin America and the Caribbean depend on development that is economically, financially, environmentally, socially, and institutionally sustainable.

- We have supported countries in their approval and endorsement of major international agreements, including the Sustainable Development Goals, Addis Ababa Action Agenda, Paris Agreement, and Sendai Framework for Disaster Risk Reduction.

- The IDB stands ready to help its member countries continually increase their ambition on achieving more sustainable development.
Our overall approach to sustainability is guided by our Institutional Strategy, our Corporate Results Framework (CRF) and our Environmental and Social Policy Framework (ESPF).

<table>
<thead>
<tr>
<th>IDB Group Strategic Priorities</th>
<th>Sustainable Development Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Inclusion and Equality</td>
<td>1  NO POVERTY 2  ZERO HUNGER 3  GOOD HEALTH AND WELL-BEING 4  QUALITY EDUCATION 6  CLEAN WATER AND SANITATION 10  REDUCED INEQUALITIES</td>
</tr>
<tr>
<td>Productivity and Innovation</td>
<td>4  QUALITY EDUCATION 7  AFFORDABLE AND CLEAN ENERGY 8  DECENT WORK AND ECONOMIC GROWTH 9  INDUSTRY INNOVATION AND INFRASTRUCTURE</td>
</tr>
<tr>
<td>Economic Integration</td>
<td>8  DECENT WORK AND ECONOMIC GROWTH 9  INDUSTRY INNOVATION AND INFRASTRUCTURE 17  PARTNERSHIPS FOR THE GOALS</td>
</tr>
<tr>
<td>Climate Change and Environmental Sustainability</td>
<td>11  SUSTAINABLE CITIES AND COMMUNITIES 12  RESPONSIBLE CONSUMPTION AND PRODUCTION 13  CLIMATE ACTION 14  LIFE BELOW WATER 15  LIFE ON LAND</td>
</tr>
<tr>
<td>Gender Equality and Diversity</td>
<td>5  GENDER EQUALITY 10  REDUCED INEQUALITIES</td>
</tr>
<tr>
<td>Institutional Capacity and Rule of Law</td>
<td>16  PEACE, JUSTICE AND STRONG INSTITUTIONS</td>
</tr>
</tbody>
</table>

- Each priority is aligned with at least one of the SDGs, and all 17 SDGs are covered by the strategy.

- The strategy reaffirms the IDB’s two broad objectives: fostering sustainable growth and reducing poverty and inequality, both of which are at the core of the 2030 UN Sustainable Development Agenda.
IDB AND THE SUSTAINABLE DEVELOPMENT GOALS - CRF
Selected Operational Results by IDBG, 2016-2019

1. NO POVERTY
   - 16.7 million beneficiaries of targeted anti-poverty programs
   - 330,000 children receiving early childhood development services targeted to the poor

2. ZERO HUNGER
   - 930,000 farmers with improved access to agricultural services and investments

3. GOOD HEALTH AND WELL-BEING
   - 35.3 million beneficiaries of health services

4. QUALITY EDUCATION
   - 16.6 million students benefited by education projects

5. GENDER EQUALITY
   - 2.1 million women beneficiaries of economic empowerment initiatives

6. CLEAN WATER AND SANITATION
   - 1.1 million households with new or upgraded access to sanitation
   - 980,000 households with new or upgraded access to drinking water

7. AFFORDABLE AND CLEAN ENERGY
   - 270,000 households with new or improved access to electricity supply

8. DECENT WORK AND ECONOMIC GROWTH
   - 2.6 million micro, small, and medium enterprises financed
   - 390,000 jobs created by supported firms

9. INDUSTRY, INNOVATION AND INFRASTRUCTURE
   - 8,000 kilometers of roads built or upgraded
   - 5,200 kilometers of electricity transmission and distribution lines installed or upgraded

Source: 2020 Development Effectiveness Overview
IDB AND THE SUSTAINABLE DEVELOPMENT GOALS - CRF (CONTINUED)

Selected Operational Results by IDBG, 2016-2019

- **Reduced Inequalities**
  - 2.1 million indigenous of targeted anti-poverty programs

- **Sustainable Cities and Communities**
  - 500,000 households with solid waste disposed in a sanitary landfill
  - 400,000 households benefiting from housing solutions

- **Responsible Consumption and Production**
  - 5,100 megawatts of power capacity from renewable sources installed

- **Climate Action**
  - 14.4 million tons of annual CO₂ equivalent emissions avoided

- **Life Below Water**
  - 15.3 million hectares of terrestrial and marine areas with improved management

- **Life On Land**
  - 1.6 million beneficiaries of improved management and sustainable use of natural capital

- **Peace, Justice and Strong Institutions**
  - 487 subnational governments benefited by citizen security projects

- **Partnerships for the Goals**
  - 170,000 professionals from public and private sectors trained or assisted in economic integration

Source: 2020 Development Effectiveness Overview
IADB AND THE SUSTAINABLE DEVELOPMENT GOALS

Raising Awareness for the UN SDGs

IADB is actively supporting countries in Latin America and the Caribbean to achieve the Sustainable Development Goals.

IADB’s Sustainable Development Bonds raised awareness for SDG#3, 11 and 13 with $8.2 billion in 8 currencies (as of December 2020).

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**SDB ISSUANCE BY CURRENCY**

- **USD 76%**
- **CAD 14%**
- **AUD 4%**
- **GBP 4%**
- **Other 2%**

**Select SDB Case Studies**

<table>
<thead>
<tr>
<th>Bond</th>
<th>USD 4.25 billion 3-year SDB Benchmark – SDG#3</th>
<th>USD 2.00 billion 5-year SDB Benchmark – SDG#3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing Date</td>
<td>17-Apr-20</td>
<td>27-Mar-20</td>
</tr>
<tr>
<td>Settlement</td>
<td>24-Apr-20</td>
<td>03-Apr-20</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>24-May-23</td>
<td>03-Apr-25</td>
</tr>
<tr>
<td>Coupon (S.A.)</td>
<td>0.500%</td>
<td>0.875%</td>
</tr>
<tr>
<td>Coupon payment dates</td>
<td>24 May and November</td>
<td>03 April and October</td>
</tr>
<tr>
<td>Re-Offer Spread</td>
<td>UST 3 year + 27.7 bps (MS +15bps)</td>
<td>UST 5 year + 46.2 bps (MS +37bps)</td>
</tr>
<tr>
<td>ISIN</td>
<td>US4581X0DM78</td>
<td>US4581X0DL95</td>
</tr>
</tbody>
</table>

*The other currencies include IDR, INR, BRL and MXN.*
Additional Information
### I) Use of Proceeds

The net proceeds from the sale of the notes will be included in the ordinary capital resources of the Bank and, will not be committed or earmarked for lending to, or financing of, any specific loans, projects or programs. The IDB, in partnership with its member countries, works to reduce poverty and inequalities in Latin America and the Caribbean by promoting economic and social development in a sustainable, climate friendly way.

The Bank’s strategic priorities include social inclusion and equality, productivity and innovation and economic integration along with three cross-cutting issues: gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. Each strategic priority of the IDB aligns to at least one of the United Nations Sustainable Development Goals (SDGs), with all goals covered within the IDB institutional strategy, which may be adapted from time to time should the United Nations SDGs definition evolve.

All projects undertaken by the IDB go through the Bank’s rigorous sustainability framework. The framework tracks measurable results, adherence to lending targets and the effectiveness of its environmental and social safeguards. IDB’s administrative and operating expenses are currently covered entirely by IDB’s various sources of revenue, consisting primarily of net interest margin and investment income (as more fully described in the Information Statement).

### II) Process for project selection

1) Programming: The IDB aligns its sustainability actions with those of the borrowing country members. Project pipelines are screened for climate change opportunities and for potential environmental or social risks.

2) Preparation: An environmental and social strategy if prepared for the project. Climate change, gender and diversity specialists are involved at every stages of the project.

3) Approval: The multilateral development bank climate finance tracking methodology is applied to each projects. Key environmental and social clauses are added to loan agreements.

4) Execution: The level of safeguards is determined depending on environmental and social risks of the project. Two progress reports are submitted per year and the performance of safeguards is analyzed.

5) Completion and reporting: Results at completion, including environmental and social lessons are reported.

### III) Management of bond proceeds

The bond proceeds are invested in accordance with IDB’s conservative liquidity policy until used for project disbursements.

### IV) Monitoring and Reporting

The IDB supervises the implementation of all its projects. Reports on all projects can be found on the IDB website.

### V) Ensuring Transparency and Compliance

The IDB policies apply to all projects. This includes reviews by the IDB's financial management and procurement specialists to ensure adequate controls are in place.
I) USE OF PROCEEDS

Loan approvals by strategic priority\(^1\) for the year ended December 31, 2019 and 2018

<table>
<thead>
<tr>
<th>Strategic Priority</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Inclusion and Equality</td>
<td>60%</td>
<td>54%</td>
</tr>
<tr>
<td>Productivity and Innovation</td>
<td>73%</td>
<td>74%</td>
</tr>
<tr>
<td>Economic Integration</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>Climate Change and Environmental Sustainability</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>Gender Equality and Diversity</td>
<td>56%</td>
<td>53%</td>
</tr>
<tr>
<td>Institutional Capacity and Rule of Law</td>
<td>80%</td>
<td>57%</td>
</tr>
</tbody>
</table>

\(^1\) Each operation may contribute to more than one strategic priority, so the percentage reported for each priority in a given year sum to greater than 100 percent.
## II) PROCESS FOR PROJECT SELECTION - Sustainability in the Project Cycle

### PROGRAMMING
- We align our sustainability actions with those of our borrowing member countries through the country strategies prepared every time a new administration takes office.
- We prepare sector framework documents to provide guidance to project teams on what IDB seeks to accomplish in a given sector.
- We scan the pipeline of operations each year for climate change opportunities.
- We screen all operations for potential environmental and social risks and disaster and climate change risks.

### PREPARATION
- We prepare an environmental and social strategy for the project profile.
- Project teams present a results matrix and a monitoring and evaluation plan for tracking the project’s achievements, including for sustainability.
- Climate change and gender and diversity specialists get involved early to provide technical advice.
- We prepare an environmental and social management report for the Proposal for Operation Development. We help clients prepare any additional environmental and social impact assessments.

### APPROVAL
- Teams consider how projects align to IDB’s strategic priorities.
- The multilateral development bank (MDB) climate finance tracking methodology is applied to each IDB Group project to determine the portion of climate-related financing.
- Loan agreements include key environmental and social clauses.

### EXECUTION
- We determine the level of safeguards supervision required using an environmental and social risk rating.
- Project teams work closely with executing agencies, building capacity along the way, and submit two progress monitoring reports per year.
- We analyze safeguards performance across the portfolio.

### COMPLETION AND REPORTING
- Results at completion, including environmental and social lessons, are reported in the Project Completion Report (externally validated by the Office of Evaluation and Oversight).
II) PROCESS FOR PROJECT SELECTION
IDB’S ENVIRONMENTAL AND SOCIAL POLICY FRAMEWORK (ESPF)

- In September 2020, the IDB’s Board of Executive Directors approved a new ESPF.
- Includes an Exclusion List of Activities that the IDB will not finance.
- Expected to go into effect in late 2021.
- For more information, see [https://www.iadb.org/en/mpas](https://www.iadb.org/en/mpas)

• The ESPF modernizes many of the requirements under its previous environmental and social (E&S) safeguard policies, into one consolidated and comprehensive framework which better responds to the E&S challenges facing our countries.

• The updated framework reinforces standing commitments to gender equality, stakeholder engagement, disaster and climate change resilience and minimizing GHG emissions, and protection of the region’s natural capital.

• The ESPF is accompanied by an Implementation Plan which establishes a readiness period to prepare for the transition to the new framework. Existing projects will continue to apply the Bank’s current E&S Safeguard Policies, with the two systems running in parallel for an estimated seven years.
III) MANAGEMENT OF BOND PROCEEDS

• The primary objective in the management of the Bank's liquid assets is preservation of capital and maintaining a portfolio of adequate size invested in high quality liquid assets to enable the Bank to meets its financial obligations without the need to access the capital markets.

• The secondary objective is to efficiently manage risk/return tradeoffs of all eligible asset classes within the defined risk tolerance of the Bank, in order to help minimize the cost of carrying liquidity.

• Liquidity covers, at a minimum, 12 months of projected net cash requirements after haircuts, to meet financial obligations without the need to access the capital markets.

In 2019, the Bank Disbursed USD10.6 billion in loans and ended the reporting period with USD35.5 billion in Cash and Liquid investments.
The DEO is a report produced annually by the IDB group showcasing the results and impact of its work in Latin America and the Caribbean.

**Report Highlights:**

- The DEO also includes Corporate Performance Indicators, Project Completion Report ratings by an external unit – the Office of Evaluation and Oversight (OVE) and Impact Evaluation Reports.

- The region’s countries have increasingly aligned their national development plans with the SDGs.

- The IDB is well positioned to help its member countries respond to and recover from the COVID-19 pandemic in a sustainable way.
In the annual Sustainability Report, the IDB shares its approach to sustainability and showcases some of its projects, initiatives and research the IDB financed and worked with partners to contribute to the region's sustainable development.

The Global Reporting Initiative (GRI) sets global standards for sustainability reporting, relying on best practices for reporting on a range of economic, environmental and social impacts.
IV) MONITORING AND REPORTING – PROJECT MONITOR AND COMPLETION REPORTS

• Once a project is approved, it is critical to monitor its status to ensure that implementation starts expeditiously, and that the project remains on track, consistent with its initial plan.

• The Progress Monitor Report (PMR) captures results generated during the project execution on a semi-annual basis as well as costs, outputs, outcomes and impacts.

• At completion, IDB projects are rated based on four criteria: relevance, effectiveness, efficiency and sustainability. The Project Completion Report (PCR) presents results of these assessments with results independently validated by the Office of Evaluation and Oversight (OVE).

The PMR and PCR reports for all IDB projects can be found on the IDB website: https://www.iadb.org/en/projects
The Office of Evaluation and Oversight (OVE) is an independent evaluation office which evaluates the performance and development effectiveness of the activities of the IDB Group.

- These evaluations seek to strengthen the IDB Group through learning, accountability and transparency.

- In 2019, OVE celebrated 20 years as an independent evaluation office.
The Independent Consultation and Investigation Mechanism (MICI) is the independent accountability body of the IDB Group.

The objectives of the MICI are to:

a) Provide a mechanism and process, independent of management, to investigate allegations complaints of harms caused by the IDB Group's failure to comply with its own policies;

b) Provide information to the Board of Executive Directors regarding such investigations; and

c) Be a last-resort mechanism for addressing concerns and complaints after reasonable attempts to bring allegations of harm to the attention of the Board have been made.
Project HO-L1090: Program for Improved Accessibility and Quality of Health Services and Networks

**Project Description**

- This project helped improve health and well-being in that country by addressing gaps in the coverage and quality of health services in Honduras.
- Key beneficiaries: Children, reproductive age women and indigenous populations.
- IDB Commitment: USD 50 million.

**Impact**

- More than 1 million people receiving health services.
- 27% increase in children aged zero to five with complete vaccinations.
- 15% increase in the share of women who had four prenatal visits.
- 136% increase in women whose most recent birth was attended by a qualified health professional.
Project TT-L1016: Neighborhood Upgrading Program

**Project Description**

- This project helped improve the living and housing conditions for low-income groups.
- Key actions: basic infrastructure upgrades, housing subsidies, regularizing tenure in informal settlements and strengthening the capacity of the Ministry of Housing and Urban Development.
- IDB Commitment: USD 40 million.

**Impact**

- More than 3,300 families benefited from neighborhood upgrades such as potable water, drainage and paved road access.
- More than 2,800 households benefited from home improvement subsidies.
- The Land Settlement Agency was able to attend 100% of its applications (22,700 in total) for the first stage of title regularization.
Promoting Clean Energy in Barbados

88,000 tons of CO2 emissions avoided

10% of the installed capacity is from renewable energy

Project BA-L1020: Sustainable Energy Investment Programme

Project Description

• In Barbados, energy production relied exclusively on fossil fuels just a decade ago with no clear lines of action to enhance the use of renewable energy and energy efficiency.
• Key action: To address this gap, the IDB supported the creation of the government sponsored Smart Fund to promote sustainable energy supply and reduce carbon emissions.
• IDB Commitment: USD 10 million.

Impact

• By the end of 2017, renewable energy installed capacity represented about 10% of the total capacity in the country.
• Over its 20-year useful life, the Smart Fund will avoid an estimated 88,000 tons of CO2 emissions.
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