

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	IDB Green and Sustainable Finance Program for LAC
▪ TC Number:	RG-T3964
▪ Team Leader/Members:	Netto De A. C. Schneider, Maria E. (IFD/CMF) Team Leader; Vasa, Alexander (IFD/CMF) Alternate Team Leader; Acevedo Calle, Daniela (LEG/SGO); Almeida Oleas, Natalia (LEG/SGO); Amaro Andrade, Flor Evelyn (IFD/CMF); Braly-Cartillier, Isabelle Frederique (IFD/CMF); De La Torre Ortiz, Sahara (IFD/CMF); Fernandez-Baca, Jaime (CSD/CCS); Frisari, Giovanni Leo (CSD/CCS); Hincapie Salazar, Daniel (ORP/REM); Isabel Williamson, David Alejandro (ORP/GCM); Marquez, Claudia (IFD/CMF); Martinez Lopez, Cynthia Guadalupe (IFD/CMF); Restrepo Osorio, Luis Carlos (IFD/CMF); Ricas Da Cruz, Daniel (IFD/CMF); Sandoval Pedroza, Jose Manuel (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	N/A
▪ Beneficiary:	National Development Banks and public financial sector beneficiaries on green, social and sustainable finance instruments in the LAC region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Cofinancing Special Grants(COF) - The Switzerland's State Secretariat for Economic Affairs (SECO)
▪ IDB Funding Requested: ¹	US\$1,000,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	42 months
▪ Required start date:	December 2021
▪ Types of consultants:	Firms and/or individual consultants
▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/IFD-Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

II. Objectives and Justification of the TC

2.1 **Background.** COVID-19 triggered multiple-shocks in Latin America and Caribbean (LAC), particularly, Small, Medium Enterprises (SMEs) are facing bankruptcy risks and have been the target of liquidity support through national development banks. The region, as a result, is expected to experience increased levels of unemployment and poverty for the medium-term. This accentuates preexisting levels of inequality, and disparities and will likely amplify the region's socio-economic vulnerability to

¹ The IDB will administer these resources through an Administrative Agreement under a Project Specific Grant (PSG) from the Switzerland's State Secretariat for Economic Affairs.

climate-related risks and related impacts, as availability of finance need for addressing needed resilient and low carbon investments is reduced.

- 2.2 The recovery represents at the same time an unprecedented opportunity to “build back better”, and thematic bonds have a strong role to play. They represent a critical avenue to mobilize private capital towards investments which boost economic growth, create jobs, and set LAC on a more sustainable and inclusive development path. Through thematic bonds, it is assured that sustainability criteria are applied in the use of this debt.
- 2.3 Thematic bonds (Green, Social and Sustainability Bonds) allow to mobilize private capital at scale for financing projects with high socio-economic and/or environmental impacts. This market has grown rapidly in volume and variety since its inception more than a decade ago. Today, the market is reaching US\$1.1 trillion in aggregate global labelled issuances. While the majority have been Green Bonds, social and sustainability bond issuances increased significantly in 2020 driven by COVID-19 to an aggregate volume of US\$282 billion.
- 2.4 Compared to these figures, the Latin America’s thematic debt market is still relatively small, although it also expanded in volume and variety recently, reaching cumulatively US\$21.6 billion. Green bonds make up 80% of the issuance volume, while each social and sustainable bonds make up 10%. Labelled bonds (i.e., bonds that are externally verified by an independent entity) make up 30% of the thematic bond universe in LAC, compared to 52% in countries outside LAC. The external review provides the investor with comfort that the projects financed through the bond are actually green or social. In a context of rapid market development, these features are key to ensure market integrity and credibility.
- 2.5 **Justification.** The LAC sustainable capital market needs targeted capacity support to grow in a manner that (i) allow for the funding to be used for supporting green and sustainable investments and projects; and (ii) is credible to market participants, including issuers, investors, asset managers, regulatory authorities, stock exchanges, and standard setters.
- 2.6 The barriers that hinder the development of thematic bond issuances include: (i) inadequate know-how on how to go about in issuing thematic bonds, and inadequate understanding on the benefits associated with the issuance of thematic bonds; (ii) higher costs for issuers vis-à-vis ordinary bonds; (iii) issuers’ inadequate ability to adhere to good international practices and standards (critical decision factor for investors); and (iv) existing available thematic bonds methodologies are insufficient to enable the issuance of thematic bond products suited to attend the variety of sustainable financing needs of LAC countries.
- 2.7 Other barriers that hinder investors’ confidence and demand for LAC thematic bonds include: (i) non-standardized reporting practices on the use of proceeds and related environmental performance,² this makes comparability between issuances challenging and hinders investors’ ability to take informed decisions and evaluate the performance and impact of their portfolios; and (ii) lack of a tax incentives framework

² A survey by Climate Bonds Initiative on LAC issuances ([CBI, 2019b](#)) shows that (i) only about half of all issuers reported on the use of proceeds and environmental impacts, (ii) about a quarter of issuances were CBI certified, and (iii) about 1% of green bonds supplied external assurance on the use of proceeds and impact metrics reported.

aimed at fostering the issuance of sustainable/thematic debt in LAC countries, as well as to stimulate investors demand. For instance, tax exemptions/credits.

- 2.8 **Objective.** The objective of the IDB Green and Sustainable Finance Program (the Program) is to promote sustainable investments for the socio-economic COVID-19 recovery, mainly in Colombia and Peru. The Program works simultaneously on the supply-side of bonds, by supporting their issuance, and on the demand side, by generating transparency and comparability for investors. It will help to mobilize private capital towards investments which boost economic growth, create jobs, and set LAC on a more sustainable and inclusive development path.
- 2.9 **IDB Strategic Alignment 2020-2023.** This TC is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of Productivity and Innovation as it is aimed at supporting the adoption of sustainable accountability mechanisms and the alignment of green financial instruments. The TC is also aligned with the cross-cutting theme of: (i) Institutional Capacity and Rule of Law as regards enhanced transparency and aims to enhance the capacity of National Development Banks (NDBs) and public sector agencies; and (ii) Climate Change and Environmental Sustainability as it supports the design of sustainable transparency instruments that facilitate investments in productive and environmentally sustainable activities and the mobilization of capital to support effective Public-Private synergies that contribute to the achievement of countries' NDCs. Likewise, the TC is consistent with the Strategic Development Program for Institutions (GN-2819-1) and its objectives: (i) contribute to public policies and institutions that are more effective, efficient, open, and citizen-centered; and (ii) reduce constraints for business growth and productivity. Finally, the TC is consistent with the indicator 3.5 of the IDB Corporate Results Framework for 2020-2023: "Climate Finance in IDB Group operations".
- 2.10 **Lessons learned and results from previous phases.** The Green Bond Technical Cooperation Program (GBTCP) (UR-01035.10.01) was implemented with a contribution of US\$750,000 from the Swiss Technical Cooperation Fund between 2016 and 2020.³ The focus was on supporting three NDBs in Colombia (i.e., Bancoldex and Findeter) and Peru (i.e., COFIDE- also WEIF's partner in the planned Green Credit Line). Most of the program targets were reached. The IDB supported the issuance of six thematic bonds (green, social and sustainable bonds), mobilizing more than US\$350 million in capital market finance. The last issuance supported under the first program was COFIDE's [COVID-response bond](#), issued under the guidance published by ICMA in 2020 to use social bonds as an instrument to finance COVID-19 emergency and recovery needs. From the results and lessons learned, and aiming to increase results, SECO decided to extend and expand the program into this new cooperation.
- 2.11 In addition, GBTCP aimed at improving and better standardizing reporting practices that so far remain very heterogeneous, increasing transaction costs and hampering market development. For this, the program developed the concept of the [Green Bond Transparency Platform \(GBTP\)](#). This concept was tested in a survey in 2019 with about 40 market actors (including the largest issuers, underwriting investment banks, key emerging market fixed income investors, and global stock exchanges). Based on

³ [RG-T2720: Integration of Environmental and Social Concerns into Capital Markets: Supporting NDB Capacities to issue Green Bonds](#)

the feedback received from these supporters, the IDB developed a prototype and hired a team to operate the GBTP leveraging additional donor funds from Germany. During program implementation, the IDB identified additional demand for support in: (i) greening the capital markets through transparency; (ii) extending the support from green to sustainable bond issuances; and (iii) from additional public sector entities in addition to NDBs.

2.12 **Main lessons learned** during phase 1 were: (i) importance to support first time issuers in the roadshow phase and more widely in the promotion of the green bond issuance to private sector investors: Players in nascent markets need to be informed and trained, especially national investors; (ii) expanding the type of thematic bond issuances: In light of the effects of COVID-19 and the urgency of a socially inclusive and sustainable transition, it is relevant to consider a wider range of bonds typologies to mobilize private sector investments for the economic recovery. Further, support needs also to target the development of the underlying methodologies and features, particularly for relatively new typologies such as [Climate Resilience bonds](#) which is type of bond instrument where the proceeds are used to finance or re-finance investments that address physical climate risks; Sustainable and Sustainable Development Goals (SDG) Bonds, for which Bonds are linked to SDGs; and Sustainable Linked Bonds (SLBs), which consider cooperative performance/targets incentive based approaches, and reporting frameworks that support these bond issuances; (iii) broadening the spectrum of beneficiaries: to provide proof of concept and a demonstration effect for subsequent replication by commercial banks, it is relevant to support issuances by a broader range of public entities; (iv) support issuers in demonstrating ESG and climate risk “fit-for-purpose” management capabilities: ESG and climate-related credential of thematic bond issuers are increasingly becoming a determinant in investors’ decision-making. This is because of investors’ fear of greenwashing and/or for financial risk management practices. Issuers’ capacity to manage environmental, social and climate-related financial risks is, in fact, a relevant aspect increasingly evaluated to determine issuers’ creditworthiness over the life time of the issuance; and (v) broadening the coverage of the Green Bond Transparency Platform: to enhance the existing capabilities of the Platform by: (i) develop an analysis to enable the expansion of its coverage to the proceeds from sustainability bonds; (ii) engaging with the investor and asset manager community to enhancing its visibility and understand the materiality of the publicly available data; and (iii) further improve its reporting frameworks to ensure harmonization and fill possible outstanding methodological gaps together with the advisory group. Workstreams within the advisory committee shall include representative of the key Multilateral Development Bank (MDB) players such as European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), and International Finance Corporation (IFC).

III. Description of activities/components and budget

3.1 The Program aims to address above mentioned challenges and contribute towards the development of the sustainable finance and capital markets in Latin America, with a focus on Colombia and Peru. To this end, it proposes two interrelated components aimed at targeting the key barriers hindering the development of sustainable finance in the region. These two components include: (i) sustainable capital markets development through technical assistance, and capacity building for the issuance of thematic bonds; and (ii) Enhancing the operation of the [Green Bond Transparency Platform](#) (GBTP).

- 3.2 Component 1. Sustainable capital markets development through technical assistance, and capacity building for the issuance of thematic bonds.** This component will seek to address the lack of awareness and inadequate “know-how” on thematic bonds by supporting new potential issuers accessing local and/or international capital markets by backing the structuring, review, verification and placement of thematic bonds. This will entail the analytical work required for the development of relevant methodological frameworks/criteria, and capacity building activities to enable prospective issuers to structure and manage these thematic financial instruments. This technical assistance work will also create inter-institutional dialogue (e.g., between different ministries, or divisions of a public bank) that has proven critical for the identification of future opportunities, the development of reporting processes and impact assessment models – so that each institution could be equipped with knowledge and resources to replicate the issuance process in the future. Each issuer will sign an agreement letter outlining the scope of the activities.
- 3.3 The program is holistic and works with issuers both during the pre-issuance and post-issuance stage. This combination aims to ensure that issuers not only overcome current barriers to issuance, but also utilize best practice taxonomies in their reporting. It will allow issuers to reduce their reporting costs post-issuance, as well as shorten their learning curve. At the end of the program, issuers will have increased their market readiness and are likely to establish their own thematic bond issuance program. As the one-time set-up costs such a framework and potential ESG ratings are covered by the program with the initial bond issuance, issuers will likely continue their thematic issuance program beyond program support. Innovative issuances that require the development new sectoral methodologies might continue to require external technical assistance.
- 3.4 In order to reach out to new issuers in addition to the NDBs, there will be promotion activities via individual targeted technical discussions, webinars and knowledge events. The selection criteria will consider demonstration effect to inspire others to follow, viability for replication, innovative elements, and potential for market development. IDB will avoid possible concentrations in terms of both entities and sectors. IDB will also target multiple geographies in Latin America, but, seizing the recent launched countries sustainable bond frameworks, at least of 70% of SECO funding for component 1 will be spent on Colombia and Peru. Peruvian Government is seeking for different mechanisms to meet the need for financing at a competitive cost in order to give solid support to the response to COVID-19, using different liquidity lines, including budget reallocations, management of available expenditures and access to the public debt market. Colombia is implementing various national strategies and policies to meet climate change and biodiversity goals, and the country will require unprecedented levels of investment in sustainable and low-carbon technologies, services, and infrastructure. Resources mobilized with these goals in mind will be key to enable the required capital flows. IDB will consider potential synergies with SECO programs, where possible.
- 3.5 Activity 1.1. Build new issuers’ interest in and know-how to issue thematic bonds.** Issuers will be supported to:
- a. Understand about the opportunity associated with thematic bonds and related market trends.
 - b. Undertake key milestones of the pre-and post-issuance process.
 - c. Develop KPIs and Sustainability Performance Targets.

d. Be supported in the structuring of credit enhancement solutions.

As a result, the expected outcomes include: (i) support at least 10 new issuances;⁴ (ii) at least two issuances will be by local governments, government-backed entities or sovereigns; and (iii) at least three of the issuances will be sustainable or social bonds.

The program will encourage these issuances to be placed in the public markets in order to keep consolidating a larger base of investors interested in this type of debt securities.

3.6 Activity 1.2. Enhance issuers' attractiveness to investors. Issuers will be supported to:

- a. Obtain ESG rating from an independent party.
- b. Develop or strength environmental, social and climate risk management system.

As a result, the expected outcomes include: (i) at least two ESG ratings supported as a result of the TA activities provided by an independent party during the pre-issuance stage; and (ii) strengthen the ability of at least two issuers in identifying and evaluating environmental, social and climate risks and building dedicated management and information systems.

3.7 Activity 1.3. Enhance thematic bond issuances ability to meet context-specific financing needs. Under this activity, the TC expects to scale up and expand the breadth of sustainable debt instruments taking into account context-specific circumstances e.g., by piloting the issuance of Climate Resilience Bonds, Blue bonds, Biodiversity-linked bonds or Transition bonds. This will be achieved through:

- a. Support the development of new/improved methodological frameworks, criteria, and/or certification approaches and/or guidance documents.
- b. Supporting possible issuers in the development of pipelines for Climate Resilience Bonds by e.g., backing the evaluation of the physical risk assessment of investments' pipelines, and the identification of options for building climate resilience that could be financed with the proceeds of Climate Resilience Bonds.

3.8 Component 2. Enhancing the operation of the [Green Bond Transparency Platform](#) (GBTP) to create market confidence by supporting the harmonization and standardization. This component seeks to address the inadequate disclosure on the use of proceeds, impacts, methodologies and reporting standards to facilitate harmonized reporting in the use of proceeds, impacts, and methodologies and standards used by enhancing the operational capabilities and features of the GBTP. This will allow to further enhance the reach and use-case of the GBTP by enabling transparency and information disclosure as public goods.

3.9 The GBTP has a public good character to enhance the participation by LAC issuers. Most costs occur up-front in (i) the technical set-up of the platform; (ii) ensuring the initial issuer coverage (90%) of the platform through a dedicated support team; and

⁴ Each institution supported will previously demonstrate ability under the current legal country framework to issue debt on capital markets, concrete existing or prospective pipeline, willingness to use external reviews and report, preferably through the GBTP and present an implementation plan with at least 20% in-kind counterparty.

(iii) the promotion to ensure it becomes the go-to platform for all LAC issuers⁵. Once the GBTP is fully established, and issuers self-operate its use, the IT maintenance costs are marginal. If the GBTP is to be extended to other geographies or thematic bond types, it will require additional funds for surveying methodological developments and for the onboarding (motivating issuers and external reviewers to use the GBTP). The GBTP would have funds for 2 years of operation, with the aim that GBTP can license the system to: (a) stock exchanges utilize the concept as the basis for listing; and (b) other external parties who will offer a system based on GBTP to their constituents. A detailed analysis of the options will be based on realized market demand to be revealed latest about 15 months after the going live of the platform.

3.10 Furthermore, the promotion of best practices such as transparency, the use of taxonomies and/or the implementation of reporting standards will contribute to creating an enabling environment. It is also expected that the program contributes to enhance the quality of issuances, as well as the quantity and quality of local professionals offering services in the green bond market.

3.11 **Activity 2.1. Operational execution of the GBTP and project management.** Activity 2.1 seeks to achieve the following outcomes: (i) support the inclusion in the GBTP of at least 90% of all existing and forthcoming LAC green bond issuances and their external reviews; (ii) develop and execute at least one data-sharing and data harmonization agreement with evolving with stock markets and other platforms;⁶ (iii) develop and maintain an advisor committee with key local and international stakeholders (issuers, investors, asset managers, regulatory authorities, stock exchanges, and standard setters, starting with the GBTP supporter group) to ensure replicability and scalability; (iv) develop a continuous knowledge sharing series with all stock exchanges in LAC for the consideration of GBTP data in listing requirements; and (v) involve at least two investor or asset management groups from Europe, Asia and Latin America as supporters.

3.12 The outcomes under this activity will be achieved through:

- a. Active engagement of green bond issuers and external reviewer.
- b. Support the potential integration with other local, regional, and global platforms.
- c. Engage with commercial platforms.
- d. Attract potential investors and asset managers.
- e. Operationalize the advisory committee to discuss trends in issuance, reporting, investment regulation, and incentives.

3.13 **Activity 2.2. Inclusion of existing and forthcoming green bond taxonomies:**⁷ Under this activity, the project will: i) collaborate with the relevant standard setters (ISO, ICMA, CBI) and relevant harmonization initiatives to enhance the adoption of best practice⁸; ii) develop a guide to translate between taxonomies; and iii) develop

⁵ GBTP is working in close coordination with ITE since its launch for a prospective transfer, following the orientation provided by AM-331 and AM-325.

⁶ Including individual stock exchanges and stock markets which plan to be regionally integrated (e.g., Pacific Alliance).

⁷ Use of proceeds taxonomies identified include CBI's Climate Bond taxonomy, the European Taxonomy for Sustainable Activities, forthcoming Colombian Taxonomy of Sustainable Activities, ISO 14030 and harmonized reporting frameworks under discussion with partners.

⁸ The afore mentioned taxonomy work will be conducted in the framework of the advisory group, including the ICMA Impact reporting working group, the Climate Bonds Initiative, and in close cooperation with EIB,

analytical evidence on the materiality of non-financial data for investor decisions as well as the existence and persistence of a “greenium”.

3.14 These outcomes will be achieved through the following sub-activities:

- a. Support environmental performance reporting according to good market practices/standards e.g., ICMA’s thematic bonds impact reporting guidelines.⁹
- b. Engage regulators on taxonomy and potential incentive structures.
- c. Develop simplified guidance to apply each taxonomy within the GBTP.
- d. Raise awareness and train issuer to: (i) reduce the administrative burden for issuers in the use and choice of several reporting options and enable investors to (ii) analyze and aggregate non-financial information.¹⁰

3.15 **Budget.** The Switzerland’s State Secretariat for Economic Affairs (SECO) expect to commit US\$1,000,000. Beneficiaries will provide in-kind counterpart resources, including staff time, facilities for events, and office space for consultants for an equivalent of 20% of the services received.¹¹ The proposed TC budget is US\$1,200,000 divided among the two components as shown in Table 1.

Table 1. Indicative Budget (USD)

Activity/Component	Description	IDB/SECO	Total Funding
Component 1	Sustainable capital markets development	650,000	650,000
Component 2	Enhancing the operation of the Green Bond Transparency Platform (GBTP) ¹²	250,000	250,000
Contingency	Costs under US\$5,000	50,000	50,000
Administration fee (5%)	Costs under US\$5,000	50,000	50,000
TOTAL		1,000,000	1,000,000

3.16 Resources of this project will be received from the SECO through a Project Specific Grant (PSG). A PSG is administered by the Bank according to the “Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)” (Document SC-114). As contemplated in these procedures, the commitment by SECO will be established through a separate Administrative

EBRD, and IFC. The IDB has been frequently in touch with the IFC team in the year 2020 on the GBTP and the Green Finance Review Protocol.

⁹ In September 2020, CDP, CDSB, GRI, IIRC and SASB also [announced a shared vision](#) for a comprehensive corporate reporting system. IOSCO has [publicly supported](#) this effort and will contribute to it. The IFRS is also [seeking to contribute](#) to these efforts.

¹⁰ In 2019/2020 IDB started a consultation process on taxonomies with all relevant entities (ICMA, CBI, ISO, EU Commission, IFC, Superintendency Colombia) which would be expanded on under this renewed partnership with the Swiss government.

¹¹ In-kind counterpart contribution will be required when there is support for activities and events that benefit an individual entity.

¹² The development and initial maintenance of the GBTP has benefited from support from other technical cooperation under execution by IDB, including [ATN/SU-15599-RG](#) and [ATN/CF-17992-RG](#) and as explained in Activity 2.1 the current program will further support its operation execution and management.

Agreement. 17 Under such agreement, the resources for this project will be administered by the Bank, and the Bank will charge a non-refundable administration fee of 5% of the contribution, which is identified in the budget of this project. The 5% administration fee will be charged upon the Bank's receipt of the contribution.

- 3.17 Once the TC is in execution, the project team will be able to establish partnerships with other private partners interested in contributing to the initiative. To the extent that a new donor is willing to make a contribution to the project in the form of a Project Specific Grant (PSG), the IDB will establish a commitment from the donor through an Administrative Agreement, without the requirement to prepare a new TC operation. Under this arrangement, as the Board of Directors may not need to approve an increase of the operation under certain threshold (US\$ 3 MM), each new PSG agreed with the donors will increase the activities and budget of this operation, and this increase will have to be approved by the appropriate authority according to the Bank's policies.
- 3.18 Within six months after the completion of the Project, the Project Team will submit to the Donor a final Project report, comprising an overview of the expenditure incurred by the implementation of the Project and of the funds allocated to cover this expenditure (financial report) as well as a written report on the operation and progress of the funded Project (narrative report).¹³ The Bank will not provide audited financial statements for the Account. Further, the Bank will submit to the Donor an annual narrative report of project progress for the duration of the Agreement and a non-audited financial report of the Contribution as of the agreed date every year. Both the annual narrative report and the non-audited annual financial report shall be submitted not later than the stipulated date of the following year. If at the end of the executing period of the project, there is an available balance, Project Team will communicate such amount to ORP/GCM.
- 3.19 **Arrangements for TC supervision.** The IDB will execute the technical assistance given its regional nature and multiple beneficiaries for this project, as well as the possibility to generate economies of scale by hiring the same consultant(s) or firm to support them. The administrative and technical supervision of the proposed technical assistance program will be under the responsibility of IFD/CMF with support from CSD/CCS). Depending upon the selected NDBs, there will be focal points in COF to coordinate and keep informed the COF of the outcomes of this TC.
- 3.20 To ensure a proper execution of the proposed program, the project team will organize launching, midterm and final review meetings/conferences with the beneficiaries and their consultants for each of the phases contemplated in the design and implementation of their respective systems. The project team will also fulfill all the annual and periodical monitoring requirements established by the Bank under current policies and procedures for this type of operations.
- 3.21 **Monitoring arrangements.** In addition to any requirement according to the Bank's policies and the PSG Administrative Agreement, a reflexive impact evaluation of the Program will be conducted by the project team before the end of the disbursement period to assess whether the impact indicator of the program was achieved.

IV. Executing agency and execution structure

¹³ The responsibility to develop the report to be sent to SECO lays within the Project Team

- 4.1 The Program will be executed by IDB in partnership (when feasible) with organizations such as Climate Bonds Initiative¹⁴ and in coordination with IDB Invest. The IDB team will consist of a team of four staff members who lead the process of thematic bond structuring and issuances within the Connectivity Markets and Finance (CMF) Division. Additionally, the CMF team will be accompanied by a group of consultants.
- 4.2 Given its ample experience, the technical expertise in the identified field, and the regional nature of this TC, the IDB will be the executing agency through the Connectivity, Markets and Finance Division (IFD/CMF). IFD/CMF has ample experience and proving record of successfully executing regional TCs to support NDBs. The Bank is considered to have the adequate systems to guarantee the proper execution of the operation and ensure the sustainability of the implementation of the project in line with the “Operational Guidelines for Technical Cooperation Products” (GN-2629-1). Likewise, the TC team has the necessary experience to ensure compliance with the relevant procurement policies and procedures.
- 4.3 The proposed TC will support counterparts from, mainly, Colombia and Peru (but for also other countries in the region) and given the diversity of actors that this TC aims at supporting and its regional scope for some of its aspects, it is appropriate for the IDB, through the IFD/CMF Division, to directly execute it to provide a centralized coordination of the various activities and ensure their proper dissemination in the targeted countries and the region. The administrative and technical supervision of the proposed technical assistance program will be under the responsibility of IFD/CMF. The work proposed in this TC is highly technical and requires proper quality review and monitoring of expert consultant work. The TC will ensure that the materials developed by consultants are peer-reviewed by the IDB and where applicable by market experts. The team ensures close technical follow up and quality control and methodological support from CSD/CCS.
- 4.4 The Bank will be responsible for the selection and hire of the consulting services. All activities to be executed under this TC have been included in the Procurement Plan (see Annex II) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature; and (c) GN-2303-28 for logistics and other related services. The funding for this operation will be used to hire consultancy services, as well as to pay for travel costs of consultants and the organization of dissemination and capacitation events (non-consultancy services). All products from this TC will be the intellectual property of the Bank.
- 4.5 As this TC requires a strong ownership of the beneficiaries and continuous involvement of NDBs investment officers to keep promoting good practices, the program will ensure, continuous training of those officers. It is also expected that the counterparts will dedicate the appropriate staff time and the necessary logistical resources for the implementation of the TC. The Bank will obtain, where applicable, a letter of non-objection from the official liaison entity of the beneficiary countries, as a precondition to receive support direct client from this initiative.

¹⁴ Climate Bonds Initiative is an international organization investor-focused not-for-profit that promotes investment in projects and assets necessary for a rapid transition to a low carbon and climate resilient economy.

V. Major issues

5.1 The overall project risk is low to medium considering, SECO/WEIF’s longstanding track record in the green bond space and its positive experience with IDB in phase 1. Comfort is given through IDB’s existing relationship and network in the region as well as the geographical and thematic bond diversified scope of the proposal. The major risks, level, likelihood and mitigation measures are described in Table 2.

Table 2. Risks and mitigation measures

Type	Level	Likelihood	Description	Mitigation measures
Development	Medium low	Medium	Inability to identify and raise target issuers’ interest, engagement and/or ability to successfully participates in the program’s activities	IDB has strong experience and network in the target context and has already identified preliminary demand for thematic bond issuance support.
Reputational	Low	Low	Target issuers’ involvement in corruption or green washing could feed back to IDB and SECO	IDB will mitigate this risk by: (i) hiring renowned independent Second Opinion or certification providers; (ii) supporting ESG ratings and/or supporting the building of ESG risk management capabilities; (iii) foster reporting via the Green Bond Transparency Platform which is already supported by regional and international partners such as Nasdaq, Luxembourg Stock Exchange among others.
Country/country party risks	Medium high	Medium	Target issuers’ inability to issue thematic bonds due to inadequate credit rating and policy and/or political-related disruptions	In light of the COVID-19 related disruptions affecting the short-to-medium term outlook for LAC issuances, IDB seeks will manage this risk by: (i) Targeting multiple geographies in Latin America – while continuing to focus on Colombia and Peru (at least 70%) – and issuers to diversify the risk; (ii) On-going engagement with target countries through its local representations.
Financial	Low	Low	The expected mobilization effect of public sector issuances does not materialize and SECO would need to put in additional funds to achieve the objectives of the TC.	IDB will sign letters of agreement with targeted public issuers who will commit to contribute time and resources for the successful issuance of thematic bonds.

Fiduciary	Low	Low	Mismanagement of the resources provided for the Program	Funds will be managed by IDB, subject IDB internal audit and financial reviews
Environmental and social	Low	Low	The project will not directly involve any environmental or social issues	To the contrary, IDB will support enhance awareness and capabilities for identifying environmental/climate/social issues

VI. Exceptions to Bank policy

6.1 There are no exemptions to the Bank policies present in this TC.

VII. Environmental and Social Strategy

7.1 There are no environmental or social risks associated with the activities outlined in this TC. Per the Environment and Safeguards Compliance Policy of the IDB (OP-703), the operation has been classified as 'Category C' (see [Safeguards Policy Filter \(SPF\)](#) and [Safeguard Screening Form \(SSF\)](#)).

Required Annexes:

[Results Matrix - RG-T3964](#)

[Terms of Reference - RG-T3964](#)

[Procurement Plan - RG-T3964](#)