

December 2024

INTER-AMERICAN DEVELOPMENT BANK

SUSTAINABLE DEBT FRAMEWORK





ABOUT INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank (IDB or Bank), a member of the Inter-American Development Bank Group (IDB Group), is the leading development institution in Latin America and the Caribbean. Its mission, as stated in the Agreement establishing the Bank in 1959, is to contribute to accelerating the economic and social development of the developing member countries in the region. To achieve this, the IDB needs to foster economic growth, reduce inequality, improve governance, support climate change mitigation and adaptation, promote gender equality and inclusion, and respond to crises, natural disasters, and other socioeconomic challenges. This is how we reduce poverty and improve lives in our region.

INTER-AMERICAN DEVELOPMENT BANK'S COMMITMENT TO SUSTAINABILITY

IDB is committed to promoting positive environmental and social outcomes, while minimizing the risks and negative impacts to people and the environment for Bank-financed projects. This commitment in our operations is guided by the Bank's Environmental and Social Policy Framework (ESPF).

The ESPF 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 through ten ambitious environmental and social performance standards:



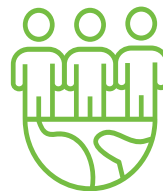
Assessment and
Management of
Environmental and
Social Risks and
Impacts



Biodiversity
Conservation
and Sustainable
Management of Living
Natural Resources



Labor and Working
Conditions



Indigenous
Peoples



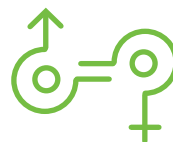
Resource Efficiency
and Pollution
Prevention



Cultural
Heritage



Community Health,
Safety and Security



Gender
Equality



Land Acquisition
and Involuntary
Resettlement



Stakeholder
Engagement
and Information
Disclosure

In addition, the ESPF:

- Includes a new standard on **labour and working conditions** aligned with core international conventions and instruments.
- Considers **risks** associated with **pandemics and epidemics**.
- Aligns with international best practices on **biodiversity protection and conservation**.
- Requires borrowers to **systematically assess project vulnerability to natural hazards and climate change**, assess and monitor project GHG emissions where relevant, and integrate resilience measures into project design when needed.
- Stipulates when free, prior, and informed **consent is required from indigenous peoples, mandates protections for African descendants and persons with disabilities**, and requires consideration of race, ethnicity, age, and social conditions.
- Includes a stand-alone stakeholder engagement and information disclosure standard to obtain **open, transparent, and inclusive engagement around projects**.
- Explicitly **excludes activities prohibited under national or international law** or other legal activities that the IDB will not finance because they could adversely affect people and the environment, and activities that are inconsistent with the IDB's commitment to addressing climate change and promoting environmental and social sustainability.
- Elevates respect for **human rights** to the core of environmental and social risk management. Includes a dedicated standard on **gender equality**.

An exclusion list identifies activities the IDB will not finance either because they could adversely affect people and the environment or because they are inconsistent with the IDB's commitment to addressing climate change and promoting environmental and social sustainability. The Bank's Environmental and Social Risk Management Unit in the Risk Management Office provides environmental and social risk oversight of the IDB-financed portfolio and quality assurance services throughout the project cycle, with special attention to high- and substantial-risk projects. It also manages and reports on the environmental and social risks of the IDB's portfolio.

The Bank periodically unveils thematic action plans to guide the Bank's approach to all its cross-cutting topics. These include climate change, gender, and diversity, as well as future action plans for disaster risk management, natural capital, and biodiversity.

IDB'S ENVIRONMENTAL AND SOCIAL POLICY FRAMEWORK EXCLUSION LIST

The IDB will not knowingly finance, directly, or indirectly through financial intermediaries, 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.

PROHIBITED ACTIVITIES

- A.** 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.
 - vi. Transboundary trade in waste or waste products, except for non-hazardous waste destined for recycling.
 - vii. Lead paint or coatings in the construction of structures and roads.
- B.** 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.

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

Other Activities (cont.):

- B.** Activities that are inconsistent with the IDB's commitments to address the challenges of climate change and promote environmental and social sustainability, such as:
- 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 GHG emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analysed.³

IDB RISK EVALUATION / MITIGATION PROCESS

The ESPF defines Environmental and Social Performance Standards (ESPS) to avoid, minimize, reduce, or mitigate the adverse environmental and social risks and impacts of IDB-financed projects.

The performance standards will serve as the basis for the Bank's screening, classification, due diligence, monitoring, and risk management. All ESPS standards are expected to be met before the IDB Board consideration for project approval and the IDB requires that its Borrowers meet all standards throughout the project cycle.

3. For avoidance of doubt, all upstream gas projects are fully excluded from any financing under this Framework

LIFE CYCLE OF IDB LOANS

The IDB promotes sustainability throughout the project cycle via a series of stages:



PROGRAMMING

We align our sustainability actions with those of our borrowing-member countries through country strategies. We screen all projects for potential environmental and social risks and scan the pipeline for opportunities for climate action. We apply the disaster and climate change risk assessment methodology to all sovereign guaranteed loans to identify physical climate change risks.



PREPARATION

Our environmental and social specialists classify all projects according to potential environmental and social impacts and rate them for environmental and social risk. The Environmental and Social Risk Management Unit provides independent quality assurance of the due diligence process and of our environmental and social solutions. Our climate change, gender, and diversity specialists get involved early to provide technical advice and look for sustainability opportunities. We support clients in preparing any additional disaster and climate change risk assessments. We measure the GHG footprint of our lending portfolio in gross and net terms.



APPROVAL

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

Project teams work closely with executing agencies, building capacity along the way, and submit two progress monitoring reports per year. Our environmental and social specialists supervise 100% of high- and substantial-risk projects in execution. We monitor and report on environmental and social-risk trends at the portfolio level.



COMPLETION AND REPORTING

Teams prepare project-completion reports, including environmental and social lessons, aiming to replicate successes and avoid repeating mistakes in the future.

All projects undertaken by the Bank go through the Bank's rigorous sustainability framework and are approved after an extensive internal review process that integrates sustainability policies and environmental and social requirements. This is complemented by comprehensive project disclosure, portfolio management and review processes that are designed to provide timely feedback to enhance, improve and if necessary, adjust operations to achieve positive impacts in line with desired outcomes.

IDB monitors its operational performance through several other reports, which are publicly available. The Development Effectiveness Overview (DEO) is a report produced annually by the IDB group showcasing the results and impact of its work in Latin America and the Caribbean. The DEO includes Corporate Performance Indicators, Project Completion Report ratings by an external unit – the Office of Evaluation and Oversight (OVE) and Impact Evaluation Reports.

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.

Additionally, the IDB publishes an annual Sustainability Report where it 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 IDB Sustainability Report follows global sustainability standards for reporting, relying on best practices on a range of economic, environmental, and social impacts.

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 Monitoring 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 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.



RESPECTING HUMAN RIGHTS

The IDB is committed to upholding internationally recognized human rights standards. These standards encompass core human rights treaties such as the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other universal and regional instruments relating to human rights. The Bank is also committed to respecting the rights of Indigenous Peoples, as covered in international instruments such as the ILO Convention 169, the United Nations Declaration on the Rights of Indigenous Peoples, and the Organization of American States Declaration on the Rights of Indigenous Peoples. This commitment extends to African descendant communities and other traditional peoples, encompassing their collective rights, customary law, and customary land tenure rights. These rights are honoured in accordance with their own worldview and governance structures, which includes their right to choose their own development pathway.

The IDB also requires its Borrowers to uphold human rights, avoid infringement on the human rights of others, and address potential risks or impacts on human rights within the projects it supports.

By incorporating a human rights perspective, the IDB seeks to integrate principles of dignity, equality, and non-discrimination into its policies, strategies, and project evaluation processes. The Bank recognizes that sustainable development can only be achieved when human rights are respected and protected, ensuring that all individuals have access to opportunities, social justice, and an improved quality of life.

TARGET POPULATION

The IDB is committed to equal access to opportunities for diverse peoples and groups that may be more adversely affected by project impacts than others. These may be limited in their ability to claim, gain, or profit from project benefits. In line with this commitment, the IDB is actively working to promote gender equality, diversity, and inclusion, seeking to include the voices of people that may be excluded from the development process.

The target population encompasses various groups:

Target Population	Definition
1. Vulnerable Populations	<p>People facing economic challenges or vulnerability due to disability, health, gender identity, sexual orientation, religion, age, economic disadvantage, or social condition such as victims of violence</p> <hr/> <p>Vulnerable groups of people who may be more adversely affected by project impacts than others by virtue of indigenous status, race, color and/or ethnicity, including when living in urban settings</p> <hr/> <p>Women-headed households</p>
2. Underserved Populations	<p>Marginalized populations, and/or populations with limited access to essential services and basic infrastructure, including:</p> <hr/> <p>Poor¹, and low-income populations²</p> <hr/> <p>Landless individuals, single-headed households and people living in rural areas</p> <hr/> <p>Refugees, internally displaced persons, and other displaced persons who may lack protection under national or international law</p> <hr/> <p>Natural resource-dependent communities</p> <hr/> <p>Populations living in areas highly exposed to crime and violence</p>
3. SMEs, MSMEs³	<p>MSMEs, 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</p> <hr/> <p>Women or diversity-owned business, defined as enterprises owned at least 51% by women or minority</p> <hr/> <p>Small-holder farmers and agricultural MSMEs</p>

1. Populations living below the national poverty line

2. Populations living below the national median income but above the national poverty line

3. Small and medium enterprises and micro, small, and medium enterprises



SUSTAINABLE DEBT FRAMEWORK (“FRAMEWORK”)

IDB has developed this Sustainable Debt Framework under which the bank will be able to issue Green, Social and Sustainability Bonds. Bonds issued under this Framework will support the financing or re-financing of **either green, social, or sustainable, or a combination thereof, projects, programs, and activities in the Latin American and Caribbean countries** where in most instances the green and social impacts and outcomes are not independent from each other. IDB’s Framework is consistent with the International Capital Market Association (ICMA) Sustainability Bond Guidelines which aligns with the 2021 Green Bond Principles (with June 2022 Appendix) and 2023 Social Bond Principles, both administered by the International Capital Markets Association (ICMA). Together the **Green Bond Principles and Social Bond Principles are referred to as “the Principles”**.

The Framework aligns with the four core components of the Principles:



1 USE OF PROCEEDS



Through dialogue and the country strategy processes, the IDB will focus its efforts on each country where the country's IDB Group priorities and comparative advantages are aligned to maximize the scale of our impact.

The Bank's Eligible Green and Social Projects ("Eligible Projects") are defined as investments and expenditures made by IDB after the issuance of such bonds, or in the 36 months prior to any such issuance within the eligible categories defined in the following table:

Eligible Green Categories	Use of Proceeds	Green Eligibility Criteria
Energy Efficiency	Projects that promote the efficient use of energy resources	<ul style="list-style-type: none"> • Building and facility upgrades: LED lighting, HVAC upgrades, smart building retrofits, sensors and controls • Smart meters and remote monitoring, control, and automation equipment for electrical transmission grids • Investments in management and operation of electrical transmission grids with the purpose of improving efficiency and decreasing grid technical losses • Street lighting improvements and upgrades
Renewable Energy	Renewable energy generation	<ul style="list-style-type: none"> • Wind • Solar PV and concentrated solar where at least 85% of the energy generated is from solar energy • Small run-of-river hydro with an installed capacity of at most 25 MW and no, or limited, impoundment • Refurbishment and repower of existing large hydropower
	Green Transmission Infrastructure	<ul style="list-style-type: none"> • Direct connections to and associated grid upgrades required for the interconnection of renewable electricity generation sources • Regional interconnections to support the dispatch of renewable energy from regions with surplus renewable power to load center • Grids and networks that are on a pathway to decarbonization: <ul style="list-style-type: none"> • The grid's average emissions factor is less than <100gCO₂e/kWh (over a rolling 5-year average period), or • >67% of newly connected generation capacity in the system comply with the 100gCO₂e/kWh threshold (over a rolling 5-year average period)

Eligible Green Categories	Use of Proceeds	Green Eligibility Criteria
Environ. Sustainable Management of Living Natural Resources and Land Use	Financing to support sustainable agriculture and marine production	<ul style="list-style-type: none"> • Surveillance, control, to prevent introduction and mitigate impact of pests and diseases • Efficient irrigation promoting efficient water allocation, recycling, and rainwater harvesting • Production of certified crops/ commodities in line with robust sustainability certifications. Accepted certifications include: <ul style="list-style-type: none"> • Rainforest Alliance Certified, • Bonsucro, • Round Table for Responsible Soy RTRS, • ProTerra, • 4C, • Forest Stewardship Council (FSC), • Program for the Endorsement of Forest Certification (PEFC), • CERFLOR, • Aquaculture Stewardship Council (ASC), • Global G.A.P. Aquaculture, • Best Aquaculture Practices (2 stars or above) and Marine Stewardship Council (MSC), • Best Seafood Practices certification by Global Seafood Alliance, • UTZ, • Any nationally designated organic standard • Regenerative agriculture that contributes to rebuild soil organic matter and restore degraded soil biodiversity • Aquaculture with certifications confirming that the investment does not undermine the function and resilience of ecosystems (such as Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC))
	Financing to support marine and coastal economy	<ul style="list-style-type: none"> • Green ports infrastructure including low carbon marine fuel bunkering facilities and shore to ship power
	Financing to support land and marine ecosystems conservation	<ul style="list-style-type: none"> • Conservation of key biodiversity areas through the establishment of recognized protected areas • Conservation and development of green spaces such as parks • Conservation or restoration of wetlands and marine areas (such as seagrass beds, coral, and mangroves) • Traceability technologies used to prevent deforestation and monitor biodiversity benefits, e.g., satellites and satellite imagery, artificial intelligence for anomaly detection • Sustainable forestry, i.e. afforestation or reforestation projects, preservation or restoration of natural landscapes • Eligible certifications for sustainable forestry include: Forest Stewardship Council, Programs for the Endorsement of Forest Certification, Rainforest Alliance • Rewilding through creating / restoring habitats for wildlife including reforestation and biodiversity corridors • Research targeting conservation and protection of marine and coastal ecosystems

Eligible Green Categories	Use of Proceeds	Green Eligibility Criteria
Climate Adaptation and Mitigation	Activities that reduce the vulnerability of human or natural systems against the adverse impacts of climate change and climate-related risks, by means of building resilience and/or strengthening adaptation to deal with the effect of climate aggravated floods, wildfires, landslides, droughts, earthquakes, and tsunamis	<ul style="list-style-type: none"> • Grid infrastructure hardening to address climate adaptation risks • Programs to support vulnerability assessments and recovery planning for areas damaged or at risk of damage by natural disaster(s) • Climate adaptation and resilience measures that also conserve and/or restore ecosystems (drought-resistant seeds, nutrient cycling, ecotone levees, floodplain restoration, storm water drainage, water storage with watershed restoration or conservation) • Projects to strengthen national monitoring, forecasting, and alert capacities for natural disasters • Shoreline stabilization and coastal flooding control measures • Conservation or restoration of mangroves, and / or wetlands to reduce flooding and soil/water salination • Conservation or restoration of coral reefs to reduces storms surges and flooding • Fire management programs that finance management and interventions that directly reduce fire threats <p>All climate adaptation projects will be subject to completing a climate risk assessment which identifies the hazard the financing seeks to address</p>
Clean Transportation	Low-carbon transport and electric mobility infrastructure	<ul style="list-style-type: none"> • Public low-carbon transport with direct emissions <50g CO₂e / p-km • Electric vehicles, and hybrid vehicles with respective direct emissions <50g CO₂e / vkm • Freight rail with direct emissions <25g CO₂e / t-km • Transportation infrastructure that supports the above points (charging stations; new, extended, renovated rail lines, walkways, and bike paths)
Sustainable Water and Wastewater Management	Expenditures related to water use efficiency and the disposal of wastewater	<ul style="list-style-type: none"> • Investments to ensure sustainable water use including water supply optimization in agricultural production, manufacturing and construction and building • Infrastructure supporting operational efficiency of sewerage systems • Infrastructure dedicated to sanitation services including sanitary and storm water sewerage, and wastewater treatment services
Pollution Prevention and Control	Expenditures related to waste prevention, reduction, and recycling	<ul style="list-style-type: none"> • Infrastructure dedicated to solid waste reuse, recycling or recovery • Flood mitigation measures that prevent plastic, solid waste, or pollutants runoff • Urban drainage systems that prevent plastic, solid waste, and pollutants runoff into freshwater and marine habitats • Air quality monitoring systems

Eligible Social Categories ⁴		Use of Proceeds	Social Eligibility Criteria
Access to Essential Services	Education	Financing related expand access to education	<ul style="list-style-type: none"> • Programs aimed at improving quality and access to nursery, school, basic, secondary and higher education • Improvement of access to education for rural areas • Skills development programs for teachers and public service employees • Construction, expansion and improvement of educational infrastructure (public schools, universities, and other public education services)
	Healthcare	Development and improvement of access to healthcare	<ul style="list-style-type: none"> • Programs supporting public medical centers, laboratories, hospitals, clinics, health equipment and supplies for primary and specialized healthcare • Emergency medical equipment and personal protection elements (PPE) for pandemics • Programs that help reduce maternal and infant mortality and non-communicable diseases
Access to Basic Infrastructure	Water and Sanitation	Financing related to the development, construction, acquisition, installation, operation and upgrades of sustainable water management projects	<ul style="list-style-type: none"> • Water management, storage, production, treatment plants and distribution facilities to expand access to potable water • Infrastructure to expand access to sanitation services including sanitary and stormwater sewerage, and wastewater treatment services • Improve sanitary conditions and reduce pollution in urban waterways and rivers • Comprehensive environmental and sanitation education programs
	Energy	Financing related to increase access to electricity	<ul style="list-style-type: none"> • Investments for enabling affordable access to electricity grid infrastructure • Projects to expand access to electricity to marginal and rural areas
	Transport	Investments and expenditures for the construction, upgrade, and maintenance of road transportation infrastructure	<ul style="list-style-type: none"> • Improves connectivity for low-income rural areas currently lacking accessibility to essential services • Supports economic development in disadvantaged regions by increasing access to economic centers <p>In all cases, holistic environmental and social impacts will be evaluated at the level of individual road corridors.</p>
	Housing	Financing to support access to affordable housing	<ul style="list-style-type: none"> • Financing to support building, refurbishing, or improvement of affordable housing
	Climate Disaster Recovery	Financing support recovery of Basic Infrastructure, including target population housing, impacted by climate disasters	<ul style="list-style-type: none"> • Financing related to the redevelopment and reconstruction of public basic infrastructure for target populations and target population homes and offices impacted by climate disasters

4. See “Target Population” section in introduction for complete list and definitions of target populations

Eligible Social Categories ⁴	Use of Proceeds	Social Eligibility Criteria
Socioeconomic Advancement and Empowerment	Financing related to ensure equitable participation into the market and society	<ul style="list-style-type: none"> • Projects aimed at improving youth employability, social inclusion, gender equality and subsequent poverty reduction • Programs supporting cultural education to promote social inclusion • Social work programs for families forced to resettle due to urban project developments • Skills development programs, apprenticeships and internships aimed at closing the skills gap for tomorrow's workforce • Programs aimed at improving access to finance and microfinance • Financing to minority and/or women-owned MSMEs • Digital inclusion including access to fixed or mobile broadband
Cultural Heritage Preservation	Financing to ensure preservation of cultural heritage	<ul style="list-style-type: none"> • Renovation of historical buildings • Support for heritage foundations to better enhance management of historical centers (trainings, consulting services, project management systems) • Urban spaces for artistic and cultural expression (atriums, markets, museums, squares)
Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition”	Financing related to strengthening communities by creating equitable job opportunities	<ul style="list-style-type: none"> • Projects aimed at improving employability, such as vocational training programs • Financing to MSMEs to support economic development and sustainable investment • Programs to subsidy MSMEs' climate transition • Development of equality policies and practices • Programs to promote the development of sustainable tourism projects which benefit to rural and low-income regional economies
Food Security and Sustainable Food Systems	Financing to support food security, sustainable agriculture and food system	<ul style="list-style-type: none"> • Provide subsidies to small-holder farmers and agricultural MSMEs for food production, in order to ensure food security and access to markets • Projects aimed at improving resilience to climate change for small and medium-sized farmers, and/or in rural areas, such as enhancing the efficiency of water use in irrigation systems, and reducing the risk of rural economic losses due to floods • Development of research programs, initiatives and agro-technology projects dedicated to agricultural transformation aiming at increasing food safety and productivity

4. See “Target Population” section in introduction for complete list and definitions of target populations

Eligible Social Categories ⁴	Use of Proceeds	Social Eligibility Criteria
Security, Justice, and Conflict Resolution	Financing to programs that address societal Fragility, Conflict and Criminal Violence (FCCV)	<ul style="list-style-type: none"> • Fighting organized crime through programs and training for target communities to provide knowledge, skills, and opportunities allowing residents of target communities to challenge and change attitudes that promote or tolerate violence • Breaking the cycle of violence through programs for social inclusion of young people who have high risk factors associated with violence or organized crime • Programs that support victims in claims processing, accessing social services, and preventing revictimization
	Financing of programs intended to avoid crime recidivism	<ul style="list-style-type: none"> • Rehabilitation programs that facilitate reinsertion to society, prevent crime recidivism, and combat organized crime • Construction and operation of socio-cultural centers that strengthen the relationship and involvement with communities and civil society • Rehabilitation of human capital through family care programs for adolescent offenders
State Modernization	Investments in projects whose intended direct beneficiaries are target population groups	<ul style="list-style-type: none"> • The upgrade and digitalization of public expenditures and information systems, as well as the modification, development, and implementation of policies in order to achieve more efficient distribution of public resources dedicated to target populations • Programs aimed at accelerating the digital transformation of public services, as well as digital connectivity to increase, through accessibility, public service utilization by target populations • Building and implementing more efficient and equitable tax systems to decrease tax overpayment from target populations or to increase tax subsidy utilization by target populations • Programs that support governments in incorporating climate change into the design and implementation of fiscal policies to promote a just and equitable transition to green economies

4. See "Target Population" section in introduction for complete list and definitions of target populations

2 PROCESS FOR EVALUATION AND SELECTION



Eligible Projects financed or refinanced through the bonds are selected based on their alignment with the Framework and their environmental and social strong outcomes and impact metrics. The Treasury division, in collaboration with Office of Strategic Planning and Development Effectiveness and through consultations with lending specialists, selects Eligible Projects for allocation under this Framework. This selection shall include new projects, as well as existing projects including re-financing.

3 MANAGEMENT OF PROCEEDS



An amount equal to the net proceeds of the issue of bonds under this Framework shall be recorded by the IDB in a separate sub-account supporting Eligible Projects as defined in the Use of Proceeds section and shall be fully allocated within 36 months of the issuance. These proceeds will be invested in accordance with the IDB's conservative liquidity investment guidelines until used to support the IDB's financing of Eligible Projects. So long as the bonds are outstanding and the account has a positive balance, the IDB shall direct an amount equal to such net proceeds to its lending Eligible Projects.

4 MONITORING AND REPORTING



To meet the transparency and disclosure requirements set in the Principles, the IDB shall produce an annual Allocation and Impact report until full allocation of the proceeds that will be made available on the IDB Investor Website. In the event that projects are no longer in compliance with the eligibility criteria set forth in this Framework, IDB commits to reallocating the proceeds to other eligible loans.

The report includes, but is not limited to, the following information:

- i. The outstanding balance of debt Instruments issued under this Framework
- ii. The list of Eligible Projects, including breakdown per Eligible Project category and geographical area
- iii. The amount of net proceeds from Green, Social, and Sustainability Bonds that have been allocated to Eligible Projects
- iv. The remaining balance of unallocated proceeds, if applicable
- v. Examples of environmental and/or social impact metrics related to Eligible Projects as shown in the following table:

Green Eligible Category	Example Impact metrics
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tonnes of CO₂e • Percentage annual energy efficiency gain relative to an established baseline
Renewable Energy	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂e • Annual renewable energy generation in MWh • Capacity of renewable energy plant(s) constructed or repowered in MW
Environ. Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Number of species reintroduced in key biodiversity areas • Hectares of degraded wetlands or marine areas rehabilitated or protected • Hectares of degraded forest rehabilitated or protected
Climate Adaptation and Mitigation	<ul style="list-style-type: none"> • Actions to raise roads or other infrastructure works to reduce the risk of flooding caused by climate change • Reduction in land-loss from inundation and/or coastal erosion in km² • Number of people who participated to development programs on climate risk management
Clean Transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂e • Weighted average carbon intensity for new fleet
Wastewater Management	<ul style="list-style-type: none"> • Annual water savings • Annual volume of wastewater treated or avoided
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/ or in absolute amount in tonnes p.a • Mitigation technologies/actions/initiatives (expressed in area, volume or units)

Social Eligible Category		Expected Impact metrics
Access to Essential Services	Education	<ul style="list-style-type: none"> • Number of students benefited by education projects • Number of educational facilities build or upgraded
	Healthcare	<ul style="list-style-type: none"> • Number of and/or value of medical supplies and equipment financed • Number of new hospital beds • Number of beneficiaries receiving health services
Access to Basic Infrastructure	Water and Sanitation	<ul style="list-style-type: none"> • Number of people having access to water treatment and distribution • Number of people having access to wastewater collection and treatment coverage
	Energy	<ul style="list-style-type: none"> • Number of people having access to affordable electricity • Number of people having access to affordable electricity in rural areas
	Transport	<ul style="list-style-type: none"> • New local areas connected (in km2)
	Housing	<ul style="list-style-type: none"> • Number of families benefiting from social housing • Number of social housing properties renewed or expanded
	Climate Disaster Recovery	<ul style="list-style-type: none"> • Number of families benefiting from disaster recovery initiatives • Percentage of the affected target population that regained access to critical public services due to reconstruction • Number of people rehoused
Socioeconomic Advancement and Empowerment		<ul style="list-style-type: none"> • Number of MSMEs and minority-owned businesses reached • Amount of financings allocated towards MSMEs and minority-owned businesses • Number of training hours dispensed • Number of people having access to fixed or mobile broadband
Cultural Heritage Preservation		<ul style="list-style-type: none"> • Number of historical buildings renovated • Amount of financings dedicated to heritage foundations
Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition”		<ul style="list-style-type: none"> • Number of jobs created • Beneficiaries of employment support initiatives • Number of projects supported • Increase in annual revenue for entrepreneurs
Food Security and Sustainable Food Systems		<ul style="list-style-type: none"> • Number of small and medium-sized farmers benefiting from programs • Amount of financing dedicated to agro-technology projects • Increase in food production • Crop yield increase achieved

Social Eligible Category	Expected Impact metrics
Security, Justice, and Conflict Resolution	<ul style="list-style-type: none"> • Beneficiaries of skills development programs to increase violence prevention • Number of police infrastructure reached • Number of new or renovated socio-cultural centers • Beneficiaries of programs for adolescent offenders
State Modernization	<ul style="list-style-type: none"> • Percentage increase in public access to governmental services • Number of new government services available online • Beneficiaries of employment support initiatives • Percentage increase in target population accessing available tax subsidies • Percentage increase in population accessing available essential government services • Number of newly digitized government services for target population (or percent of these government services that is digitized)

SECOND PARTY OPINION

IDB has retained Sustainalytics as an independent provider of a Second Party Opinion (SPO) to confirm the sustainability character of this framework and to assess transparency, governance, and compliance with the ICMA Principles as defined in the section “INTER-AMERICAN DEVELOPMENT BANK SUSTAINABLE DEBT FRAMEWORK” above. The result of this assessment is included in the SPO and available on IDB investors website.

AMENDMENTS TO THE FRAMEWORK

The Framework may be reviewed and updated periodically, as deemed necessary, to reflect institutional changes, including changes in IDB’s strategic priorities and eligibility criteria, enhancing the levels of transparency, and reporting disclosure. If applicable, and in accordance with best practices, such updates will be subject to a review by a qualified independent SPO provider.

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