

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Regional Green Bond Partnership for Latin America and the Caribbean
▪ TC Number:	RG-T4159
▪ Team Leader/Members:	Vasa, Alexander (IFD/CMF) Team Leader; Alves, Tatiana Cneio (IFD/CMF) Alternate Team Leader; Herrera Falla, Diego Mauricio (IFD/CMF); Barahona Cortes Patricia (ORP/GCM); Oglialoro, Claudia (ORP/GCM); Prats Cabrera, Joan Oriol (IFD/CMF); Martinez Lopez, Cynthia (IFD/CMF); Fonseca, Daniel Fernando (IFD/CMF); Us Alvarez, Hugo Amador (SCL/GDI); Martinez Alvarez, Juan (IFD/CMF); Iribarren Lopez losu (ORP/EUR); Monroy Taborda, Santiago (ORP/REM); Marquez, Claudia (IFD/CMF); Aleman, Marco Andres (VPC/FMP); Angela Pinzon (IFD/CMF); Cavazzoni Lima, Rafael (IFD/CMF); Zarate Moreno, Ana Maria (IFD/CMF); Garcia Cortesi Leonardo (ORP/REM); Dunbar, Gregory A (VPC/FMP); Marquez Cardenas Valentina (IFD/CMF); Sara Vila Saintetienne (LEG/SGO); Fuentes Morales Aurea Maria (IFD/CMF); Angel Canarete Hugo Alberto (ITE/IPS) losu (ORP/EUR); Monroy Taborda, Santiago (ORP/REM); Marquez, Claudia (IFD/CMF); Aleman, Marco Andres (VPC/FMP); Angela Pinzon (IFD/CMF); Cavazzoni Lima, Rafael (IFD/CMF); Zarate Moreno, Ana Maria (IFD/CMF); Garcia Cortesi Leonardo (ORP/REM); Dunbar, Gregory A (VPC/FMP); Marquez Cardenas Valentina (IFD/CMF); Sara Vila Saintetienne (LEG/SGO); Fuentes Morales Aurea Maria (IFD/CMF); Angel Canarete Hugo Alberto (ITE/IPS) losu (ORP/EUR); Monroy Taborda, Santiago (ORP/REM); Marquez, Claudia (IFD/CMF); Aleman, Marco Andres (VPC/FMP); Angela Pinzon (IFD/CMF); Cavazzoni Lima, Rafael (IFD/CMF); Zarate Moreno, Ana Maria (IFD/CMF); Garcia Cortesi Leonardo (ORP/REM); Dunbar, Gregory A (VPC/FMP); Marquez Cardenas Valentina (IFD/CMF); Sara Vila Saintetienne (LEG/SGO); Fuentes Morales Aurea Maria (IFD/CMF); Angel Canarete Hugo Alberto (ITE/IPS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	Governments and Sub-National Governments, Public Development Banks and State-Owned Enterprises (including public utilities) and other public bodies from IDB borrowing member countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Cofinancing Special Grants(COF)
▪ IDB Funding Requested:	US\$2,147,098.00 1
▪ Local counterpart funding, if any:	US\$178,209.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	36 months (execution period: 30 months)
▪ Required start date:	15 Aug 2024
▪ Types of consultants:	Firms and/or individual consultants

¹ These resources will be administered by the IDB as non-reimbursable financing for a Project Specific Grant (PSG). The German Development Bank (KfW) will contribute EUR2,000,000.00, which is equivalent to US\$2,147,098.00 at the exchange rate of 1.0735 as of July 1st, 2024.

▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/CMF-Connectivity Markets and Finance Division
▪ 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 2024-2030:	Environmental sustainability; Institutional capacity and rule of law; Productivity and innovation

II. Objectives and Justification of the TC

- 2.1 Green bonds allow the mobilization of 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. The global market for green bonds reached US\$2.5 trillion in aggregate issuances while the global thematic bond market, which includes green, sustainable, social use of proceeds bonds and sustainability-linked bonds (GSS+) passed US\$3 Trillion. However, green, and thematic bonds make up only between 2-3% of the overall global bond market which has outstanding issuances of US\$128.3 trillion.²
- 2.2 Latin America and the Caribbean's (LAC) green debt market is still relatively small and corresponds to 2% of the global green bond market with US\$48 billion issued, by 200 issuers in 300 individual issuances.
- 2.3 Green bonds make up 31% of the thematic issuance volume in LAC, while social, sustainability, and sustainability-linked bonds³ make up 23%, 25%, and 21%, respectively. Labelled bonds i.e., bonds that are externally reviewed by an independent entity at least pre-issuance make up 90% of the thematic bond universe in LAC. The external review pre-issuance provides the investor with comfort at the moment of buying the bonds, that the projects financed through the bond are actually green or social. In a context of rapid market development, voluntary features such as pre- and post-issuance external reviews, as well as standardized reporting will be necessary to maintain the credibility and integrity of the market.⁴
- 2.4 The main barriers to growing the Green Bond market in LAC encountered by issuers were: (i) the institutional capacity to identify a green project pipeline; (ii) upfront costs to structure green issuances and follow the full project life-cycle; (iii) capacity for transparent and standardized monitoring and reporting of the impacts; (iv) recurrent costs for external verification post-issuance; (v) lack of institutional embeddedness of a green strategy of the issuer; and (vi) a general lack of knowledge and qualification of the issuer's staff on green taxonomies and evolving frameworks. The Inter-American Development Bank Group (IDBG) launched the Green Bond Transparency Platform (GBTP) in April 2021 to enable green and sustainable bond issuers to report on their use of proceeds and impacts, and external reviewers to confirm the conclusions of their pre- and post-issuance reviews. Since its inception, more than 200 issuances have been reported in the GBTP by 100 issuers and it has provided lessons learnt⁵ to increase the coverage of green and thematic bond issuers and thereby increase the transparency in the market. The GBTP is an ongoing initiative with efforts

² OECD, 2023. [Green, Social and Sustainability Bonds in Developing Countries: The Case For increased Donor Co-Ordination.](#)

³ As defined in the Separate Agreement for the Partnership.

⁴ GBTP, 2022. [A novel database for green bonds to support investment analysis and decision making, research, and regulatory decisions: The Green Bond Transparency Platform.](#)

⁵ GBTP, 2023. [Engaging Users on a First-Hand Data Platform for Transparent Reporting.](#)

to continue supporting new and existing issuers to improve reporting practices regionally and scalable to other regions as a good practice to support issuers and investors enhance transparency, comparability, consistency, and low-transaction cost reporting to scale-up the green bond market.⁶

- 2.5 In September 2023, KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development signed a letter of intent with the IDB to create the Green Bond Partnership (GBP). The Partnership will provide EUR€2 million for the IDB to finance measures to develop and promote standards, best practices, and financial instruments to enhance the development of green bond markets in Latin America and the Caribbean and collaborate in the following areas of activity: (i) Technical assistance to public parties in LAC to support and promote bond issuances; (ii) Promotion of the “[Green Bond Transparency Platform](#)” (GBTP); (iii) Definition and promotion of ambitious regional standards and criteria for Green Bonds; (iv) Promotion of mechanisms to scale-up Green Bond issuances in LAC through anchor investments, de-risking and co-financing; and (v) Create a knowledge academy to train public decision-makers on green and thematic bonds.⁷
- 2.6 **Objective.** The objective of the IDB Regional Green Bond Partnership for Latin America and the Caribbean (the Program) is to aid the development of the green and sustainable capital market with green components⁸ in the LAC region by promoting transparency and quality standards as well as fostering innovative green solutions (e.g., guarantees) or green products (e.g., green covered bonds). 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. The direct beneficiaries will be all public issuers in the region, such as sovereigns, sub-nationals, national development banks and State-Owned Enterprises (including public utilities). Indirect beneficiaries include private sector stakeholders, such as corporate green bond issuers, stock exchanges and investors.
- 2.7 **IDB Strategic Alignment.** The TC is consistent with the IDBG Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objectives of: (i) Address Climate Change 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’ Nationally Determined Contributions (NDCs); and (ii) Bolster Sustainable Regional Growth 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 operational focus areas of: (i) biodiversity, natural capital and climate action; (ii) institutional capacity, rule of law and citizen security, by enabling issuers to identify, evaluate and select eligible projects, manage resources received from investors and report transparently about impacts and resources used;⁹ and (iii) productive development and innovation through the private sector, by focusing on financing productive green private projects. This TC aligns with the strategic priorities of IDB member countries by addressing climate change and environmental sustainability as crosscutting issues in their country strategies, while for the majority is also supporting institutional capacity and rule of

⁶ Oxford Economics, 2023. [Fast, smart, and data-driven: Decision-making for the digital age.](#)

⁷ IDB, 2023. [IDB Forms New International Partnerships to Scale Up Development of Green Bond Markets.](#)

⁸ Support for sustainable bond frameworks will include a dedicated advisory for the inclusion of gender-related considerations.

⁹ The focus of this TC is on the institutional capacity element of the operational focus area.

law, which are key components for most of the potential beneficiary countries¹⁰. The TC attends these cross-cutting priorities by strengthening of institutional capacities of public issuers to issue green bonds with a climate change mitigation and resilience focus, and by supporting public and private issuers across the LAC region to report transparently on impacts and investments.

- 2.8 **Complementarity.** This TC builds upon results from previous operations to contribute towards the development of the sustainable finance and capital markets in Latin America and the Caribbean. It will complement other projects such as [ATN/CF-18899-RG](#) “IDB Green and Sustainable Finance Program for LAC”, ([ATN/MC-17316-RG](#), [ATN/OC-17317-RG](#), [ATN/AC-17318-RG](#), [ATN/AC-17318-RG-1](#), [ATN/AC-17318-RG-2](#)) “Regional Green Bonds Program for Latin America and the Caribbean”, and [ATN/CF-17992-RG](#) LAC Green Finance Program to Mobilize Private Investment in Mitigation Actions and Low-carbon and Sustainable Business Models through National Development Banks (Phase II) as well as RG-X1250 Regional Green Bond Facility. The Project will also leverage and build on the advances of the Regional Climate Change Platform of the Ministries of Finance, Economy and Finance of Latin America in regional taxonomies¹¹ and the LAC Debt Group, a forum of Sovereign debt management officers, as well as the Network of Planning Ministers of Amazon countries in the framework of the Amazonia Forever program.¹² Potential synergies with the IDB CLIMA project will be explored to ensure consistency and complementarity.
- 2.9 **Lessons learned.** Since 2017, IDB has supported the issuance of forty-nine public thematic bonds (green, social, sustainable, and sustainability-linked) by national governments (Colombia, Chile and Ecuador), development finance institutions (*Bancoldex*, *Banco do Brasil*, *Banco de Desenvolvimento de Minas Gerais -BDMG*, *Banco Industrial y de Comercio Exterior -BICE*, *Corporación Financiera de Desarrollo -COFIDE*, *Findeter*, and *Fideicomisos Instituidos en Relación con la Agricultura -FIRA*) and utilities (*Electrobras* and *Instituto Costarricense de Electricidad -ICE-*), mobilizing over US\$38 billion in capital market finance. **Main lessons learned of previous interventions:** (i) **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:** it is relevant to consider a wider range of bonds typologies (Climate Resilience bonds, Sustainable and SDG Bonds,¹³ Sustainable Linked Bonds (SLBs)) to mobilize private sector investments; (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;¹⁴ and (iv) **Support issuers in demonstrating ESG¹⁵ and climate risk “fit-for-purpose” management capabilities:** the ESG and climate-related credential of thematic bond issuers are

¹⁰ This analysis comprises the country strategies of the 26 IDB borrowing countries. If a country, notwithstanding its country strategy, identifies green bonds as a priority and requests support from the IDB for issuing bonds, the IDB will request letters of non-objection from public issuers for that purpose.

¹¹ [ATN/FC-19904-RG](#): Regional Climate Change Platform of Economy and Finance Ministries.

¹² [Financial Markets Initiatives: LAC Debt Group](#).

¹³ SDG Bonds: bonds with proceeds going to projects that contribute to the United Nations' Sustainable Development Goals (SDG)

¹⁴ Cunha et al., 2023. [Evidence of the knock-on effect of sovereign ESG bonds on corporate ESG bonds from Latin American and Caribbean \(LAC\) issuers](#).

¹⁵ ESG stands for environmental, social, and governance criteria.

increasingly becoming a determinant in investors' decision-making. Investors are increasingly concerned about greenwashing and are also focused on robust financial risk management practices. As a result, issuers' ability to effectively manage ESG and climate-related financial risks is a key aspect in assessing their creditworthiness throughout the lifecycle of the issuance; (v) **Broadening the coverage of the Green Bond Transparency Platform (GBTP)**, As part of the efforts to provide additional reporting, consultation, and guidance tools to various market players, enhancing the Platform's existing capabilities is essential to stay current with market trends and evolution. This involves developing an analysis to expand its coverage to the proceeds from sustainability bonds, engaging with the investor and asset manager community to enhance visibility and understand the materiality of publicly available data, and improving reporting frameworks to ensure harmonization and address methodological gaps in collaboration with a public-private expert committee.¹⁶ Workstreams within the expert committee shall include representatives of the key Multilateral Development Banks (MDB) players such as EIB, EBRD, ADB, AfDB, WB and IFC, bilateral finance institutions such as KfW, AFD, and AECID¹⁷, as well as private sector experts such as stock exchanges, standard setter and investor associations, and structuring banks; and enabling a broad set of project categories to avoid too restrictive individual project categories (e.g. only energy efficiency or renewable energy).

III. Description of activities/components and budget

- 3.1 The Program aims to address the above-mentioned challenges and contribute towards the development of sustainable finance and capital markets in Latin America and the Caribbean. To this end, it proposes three interrelated components aimed at targeting the key barriers hindering the development of sustainable finance in the region. These components include: (i) Development of standards and best practices; (ii) Promotion of innovative financial instruments for capital markets development, and (iii) Support to the Green and Thematic Bond Academy. The expected results of the project include the increase in transparent and standardized reporting across LAC, an increase in institutional capacity required to issue green bonds leading to an increase in quality issuances, and the creation of innovative financial mechanisms for expanding the thematic bond market.
- 3.2 **Component 1. Development of standards and best practices (EUR €460,000/ US\$493,832)**. Under this component, two main activities will be financed:
- 3.3 **Activity 1.1. Improvement and Innovation of GBTP**. This includes:
 - 3.3.1 Operational execution and further development of the GBTP: active engagement, outreach and relationship management with issuers, external reviewers, fixed-income markets, and potential investors. Particular attention should be paid to the possibility for the GBTP to support Green Bond

¹⁶ GBTP, 2023. [Joint Declaration of Multilateral and Bilateral Development Finance Institutions for the Global Enhancement of Accountability and Transparency in the Green and Sustainable Bond Market](#).

¹⁷ EIB: European Investment Bank, EBRD: European Bank for Reconstruction and Development, ADB: Asian Development Bank, AfDB: African Development Bank, WB: World Bank, IFC: International Finance Corporation, KfW: KfW Bank (Kreditanstalt für Wiederaufbau Bank), Germany, AFD: French development agency (Agence Française de Développement), AECID: Spanish Agency for International Development Cooperation.

investments of LAGREEN¹⁸ or the EU Commission's Global Green Bond Initiative.¹⁹

- 3.3.2 Assessment of potential integration of the platform with other local, regional, and global platforms.
- 3.3.3 Monitor the bond market, identifying latest methodologies and trends for ensuring that the platform continues reflecting best practices.
- 3.3.4 Development of the GBTP as a tool to guide and support implementation of performance-based incentive payments.
- 3.4 **Activity 1.2. Promotion of best practices to facilitate investments in Green Bonds.** This includes:
 - 3.4.1 Promote best practices regarding the assessment and reporting of environmental and social risks related to green projects (e.g., potential negative impacts of the projects and potential impact of climate risks on the projects).
 - 3.4.2 Support the creation of regional institutionality by reviewing and analyzing existing taxonomies and their relevant benchmarks to promote best international practices regarding the classification and evaluation of green projects.
- 3.5 **Component 2. Promotion of innovative financial instruments for capital markets development (EUR €800,000/ US\$858,839).**
- 3.6 **Activity 2.1. Analysis and development of innovative financial instruments.** The activities include:
 - 3.6.1 Analysis and development of innovative financial instruments (e.g., green covered bonds, guarantee/ credit enhancement mechanisms, performance-based financial incentives for Green Bonds issuers²⁰) for potential joint follow-up implementation by IDB and KfW. As part of the analysis, there would be engagement with rating agencies and investors to better assess in which cases the guarantee has the largest impact.
 - 3.6.2 Analysis of blending mechanisms between standard guarantee with concessional or grant funds to make such guarantees financially more attractive. To the extent possible, respective IDB and KfW' internal requirements should be considered (e.g., in feasibility studies for new products) to facilitate potential follow-up co-financing opportunities and/or joint implementation.
 - 3.6.3 Development of legal structuring templates, process, or checklist to facilitate the use of such instruments.
- 3.7 **Activity 2.2. Joint collaboration of IDB and KfW on Green Bonds.** Analysis of co-financing green transactions and effectively pilot jointly the implementation of innovative financial instruments between IDB and KfW. In particular, analyze

¹⁸ LAGreen is the first green bond fund dedicated to Latin America, created by the EU and the German Federal Ministry for Economic Cooperation and Development (BMZ). It supports new green bond issuers through technical assistance and investments, promoting best practices and impact standards.

¹⁹ EU initiative to support green bond markets in emerging markets and developing economies. IDB and IDB Invest are expected to channel resources from GGBI to support the origination of green bonds, provide incentives to support market development and promote the adoption of verification processes and compliance with international and harmonized reporting standards [IDB Forms New International Partnerships to Scale Up Development of Green Bond Markets](#).

²⁰ IDB will request letters of non-objection to public issuers interested on issuance of the bonds.

improvement potentials of IDB/KfW guarantee instruments and the possibility to combine them in, for instance, joint transactions.

- 3.8 **Activity 2.3. Support for Green, Sustainable Bonds and Sustainability-linked bonds²¹ issuances.** Under this activity, there will be individual support for the preparation and implementation of Green and Sustainable and Sustainability-linked Bonds issuances with green components and key performance indicators. In particular, the activity will aim at broadening IDB's scope of activities in this area to bring new countries and sectors to the Green Bond market and will be complementary to IDB's existing activities. Support to issuers improving reporting at pre- and post-issuance stage will be provided, considering potential verifications/assurance reports on allocation and impacts. Possible synergies with the activities performed via the TA Facility of LAGREEN²² will be considered.
- 3.9 **Component 3. Support to the Green and Thematic Bond Academy (EUR€400,000/ US\$429,420).** The IDB's Thematic Bonds Academy aims to disseminate knowledge and develop LAC public sector and market capabilities to enter the thematic bonds market and promote its development in the region. Through a combination of training formats, public and market institutions will improve their understanding of the requirements, content, and characteristics for the different elements and phases pre- and post-issuance of existing thematic labels and the dynamics of the market, its development, and regulation. This component will contribute to: (i) raising awareness of the market and requirements; (ii) improve pre-issuance and reporting readiness of potential issuers; and (iii) disseminate policy and market relevant knowledge.
- 3.10 **Activity 3.1. Support to the design of a Massive Open Online Course (MOOC).** The purpose of this activity is to develop relevant materials for the design of a MOOC to raise awareness of green financing and the thematic bonds market and its requirements, reaching a broader audience with basic knowledge and focusing on promoting this market. This activity will be implemented in collaboration with external academic advisors and standard-setting institutions. This activity will develop a high-level proposal for the scope and structure of the MOOC, knowledge materials to enhance the learning experience, and an evaluation of the activities developed under Component 3. These materials could be reused and adapted for future resources development, with the proper acknowledgment (e.g. Climate Action Capacity-building program- IDB-GS/OAS initiative).
- 3.11 **Activity 3.2. Provision of training by standard and guidelines setters.** This activity will facilitate online and in person synchronic certified trainings and contribute to a design that is tailored made to the LAC region context, by standard setting institutions and other main actors in the market. Trainings to be delivered under this activity may be focused on Green, Sustainable and Social Bonds (GSSB), Sustainable Linked Bonds (SLBs) principles and reporting, and Taxonomies, depending on the demand of potential public sector issuers in the region. This activity will be delivered with the collaboration of key partners such as the Climate Bonds Initiative (CBI) or International Capital Market Association (ICMA).

²¹ As defined in the Separate Agreement for the Partnership.

²² The objective of the TA Facility of LAGREEN is supporting capacity building, project preparation, and market development for private financial institutions and issuers in Latin America to enhance their capabilities in issuing and managing green bonds. Utilizing the Green Bond Transparency Platform, both public and private sector green bond issuers stand to benefit from reporting on the use of proceeds and impact metrics associated with their bonds.

- 3.12 **Activity 3.3. High-level and policy dialogues with experts and policy makers (Master classes).** This activity will create an in-person open forum to promote high level policy dialogue on sustainable finance and thematic bonds and new issuances in the region.²³ This activity will aim to work within the framework of the Coalition of Finance Ministers for Climate Action (CFMCA) and would support the development of documents with recommendations on green financing in the Americas and other relevant topics.
- 3.13 **Other Costs: Project Consultant (EUR€240,000/ US\$257,652).** The project consultant will work closely with the project leader and the project team to support the coordination and management of the Regional Program. The project coordinator will be responsible for the operation of the Program on a day-to-day basis. The project coordinator will respond to the IDB team leader regarding strategic decisions and structural changes that are made and affect the functioning of the Program.
- 3.14 **Budget.** The German Development Bank (KfW) on behalf of the German Federal Ministry for Economic Development and Cooperation (BMZ), expect to commit EUR2,000,000.00 to this project, which is equivalent to US\$2,147,098.00 based on the exchange rate EUR/USD 1.0735, as of July 1st, 2024. Beneficiaries will provide in-kind counterpart resources for an estimated amount of EUR166,000 (US\$178,209).²⁴ The total amount of this TC is thus approximately EUR 2,166,000. Table 1 details this budget.

Table 1. Indicative Budget (EUR/USD)*

Activity/ Component	Description	Indicative Budget (EUR)			Indicative Budget (USD)*		
		IDB/KfW	Counterpart Funding	Total Funding	IDB/KfW	Counterpart Funding	Total Funding
Component 1. Development of standards and best practices (IDB)	1.1. Improvement and Innovation of GBTP	€360,000	€36,000	€396,000	\$386,478	\$38,648	\$425,125
	1.2. Promotion of best practices to facilitate investments in Green Bonds	€100,000	€10,000	€110,000	\$107,355	\$10,735	\$118,090
Component 2. Promotion of innovative financial instruments for capital markets development (IDB)	2.1. Analysis and development of innovative financial instruments	€100,000	€10,000	€110,000	\$107,355	\$10,735	\$118,090
	2.2. Joint collaboration of IDB and KfW on Green Bonds	€100,000	€10,000	€110,000	\$107,355	\$10,735	\$118,090
	2.3. Support for Green Bonds issuances	€600,000	€60,000	€660,000	\$644,129	\$64,413	\$708,542
Component 3. Support to the Green and Thematic Bond Academy (OAS)	3.1. Support to the design of a Massive Open Online Course (MOOC)	€190,000	€19,000.00	€209,000	\$203,974	\$20,397	\$224,372

²³ The team will identify and prioritize the location of the open forum depending on countries' demand and in conjunction with the advancement in implementation of the other activities envisaged in the project. The team will closely coordinate with the IDB country office when implementing the activity.

²⁴ These in-kind resources will consist of staff time, facilities for the development of planned promotional workshops and events, and office space for consultants supporting the design of the different products envisioned under this TC.

	3.2. Provision of training by standard and guidelines setters.	€100,000	€10,000.00	€110,000	\$107,355	\$10,735	\$118,090
	3.3. High-level and policy dialogues with experts and policy makers.	€110,000	€11,000.00	€121,000	\$118,090	\$11,809	\$129,899
Other costs	Project Consultant	€240,000	€ 0.00	€240,000	\$257,652	\$0	\$257,652
	IDB Administration Fee (5%)	€100,000	€ 0.00	€100,000	\$107,355	\$0	\$107,355
TOTAL		€2,000,000	€166,000	€2,166,000	\$2,147,098	\$178,209	\$2,325,307

* Based on the exchange rate of Euros in Dollars of 1.0735 (July 01st, 2024 – Source: [FX Rates Report IDB](#))

- 3.15 KfW expects to commit EUR 2,000,000 million for this project, which is equivalent to US\$2,147,098.00, based on the exchange rate 1.0735 as of July 1st, 2024. Final resources in US dollars will be dependent on the exchange rate of the date when the resources are received by the Bank and converted into US Dollars. If a significant adverse fluctuation in the exchange rate reduces the amount of US dollars in this budget and such amount cannot be covered by the contingency line, the project activities will be decreased appropriately, and the budget will be adjusted accordingly by the project team.
- 3.16 Resources of this project will be received from KfW 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 KfW will be established through a Separate Administration Agreement. 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.

IV. Executing agency and execution structure

- 4.1 The TC, categorized as a Research and Investigation TC, is an initiative of the Bank, which will be executed by the IDB with a team of staff members who lead the various activities to strengthen public institutions in the region issuing Green Bonds within the Connectivity, Markets and Finance Division (IFD/CMF).
- 4.2 The IDB will serve as the executing agency through the Connectivity Markets and Finance Division (IFD/CMF). The IDB's value-added lies in supporting public sector clients in developing institutional capacities that enable countries to access capital markets through the issuance of green bonds with a view to increase the impact of the investments conducted with the bonds’ proceeds. IDB has substantial experience in contributing to the development of the Green Bond Market in LAC and acts as an honest broker between the interests of regulators, issuers, investors and the broader public, interested that public resources are spent well. IDB’s Green Bond Transparency Platform and the impact information contained therein serves as a benchmark for issuers and investors. Furthermore, the IDB possesses robust capabilities in assisting issuers with lower institutional capacities, identifying opportunities to bridge gaps and enhance their operational effectiveness, and thereby increasing impact.

- 4.3 **Beneficiaries:** Eligible beneficiaries for the design and implementation of innovative financial instruments will be all public issuers in the region, such as sovereigns, sub-nationals, national development banks and State-Owned Enterprises (including public utilities), (e.g. Ministries of Finance, in coordination with relevant authorities such as Ministry of Environment). The eligible beneficiaries of the reporting support through the Green Bond Transparency Platform, include all private and public sector issuers (ministries of finance, local governments, public and private financial intermediaries, and companies) in LAC who can benefit from guidance and best practice templates on how to report in a standardized way. Eligible beneficiaries of the Knowledge Academy include public sector line ministries (energy, water, transport, and others), ministries of finance and environment, regulators, and other public sector entities.
- 4.4 The prioritization of beneficiaries will involve several criteria, including the alignment of bond issuance with the countries' or public sector entities' Nationally Determined Contributions or sustainability strategy. Additionally, the selection process will consider the existing institutional capacities to set, execute, and monitor impact targets throughout the bond's lifecycle. Priority will be given to issuers with opportunities to enhance their institutional capacity, as well as those focusing on environmental issues and use of proceeds-type issuances, in accordance with donor requirements.²⁵ To ensure strategic selectivity and the optimal use of IDB instrument for each public sector client, the selection of beneficiaries will be coordinated with IDB country representatives. Moreover, the TC will aim to balance geographic access within the LAC region.
- 4.5 **Procurement.** 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 III) and will be contracted in accordance with Bank regulations as follows: (a) Regulation AM-650 for individual consultants; and (b) Corporate Procurement Policy (GN-2303-33), along with its guidelines, for consulting firms, logistics, and 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.
- 4.6 **Direct Contracting.** The GS/OAS will be hired through a direct selection process to carry out all activities under Component 3, "Support to the Green and Thematic Bond Academy," through its Water Program of the Department of Sustainable Development (DDS/SEDI). The selection method is justified due to the unique requirements of the services and products envisaged and considering that the GS/OAS has specific technical knowledge, high-level dialogue experience and networks, and methods developed in previous similar initiatives in collaboration with the IDB, in line with the Corporate Procurement Policy (document GN-2303-33, Section 3.4, ii, d). The methodology and materials that will be developed under the component will build upon the methods and results of the Climate Action Program for the Development of the Region, created by GS/OAS and the IDB.
- 4.7 A project consultant within IFD/CMF will support the coordination and implementation of the Regional Green Bond Partnership for Latin America and the Caribbean.

²⁵ Requests for other sustainable financing instruments (i.e. Sustainable bonds with defined green components, and Sustainability-Linked Bonds) will not be excluded.

- 4.8 **Arrangements for TC supervision.** The TC supervision will be under the Connectivity, Markets and Finance Division (IFD/CMF) in Washington DC. 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.
- 4.9 **Monitoring arrangements.** A reflexive impact evaluation of the Program will be conducted before the end of the disbursement period to assess whether the impact indicator of the program was achieved.²⁶ This activity will be implemented and paid for with additional resources directly by the donor.
- 4.10 **Reports to donor.** The project team will be responsible for preparing and submitting project reports to the donor, ensuring compliance with the Grant Agreement and Separate Agreement, as well as the annual TC progress updates through the Technical Cooperation Monitoring and Reporting (TCM) in accordance with the Bank's guidelines.

V. Major issues

- 5.1 The major risks, depending on type are ranked medium to low:

Table 2. Risks and mitigation measures

Level	Description	Mitigation measures
Low	Target issuers' involvement in corruption or green washing could feed back to IDB and KfW.	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; and (iii) Foster reporting via the GBTP which is already supported by regional and international partners such as Nasdaq, Luxembourg Stock Exchange among others.
Low	The expected mobilization effect does not materialize and KfW would need to put in additional funds.	IDB will sign letters of agreement with targeted public issuers who will commit to contribute time and resources for the successful issuance of green bonds.
Low	Mismanagement of the resources provided for the Program	Funds will be managed by IDB, subject IDB internal audit and financial reviews
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
Medium low	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.

²⁶ The monitoring and reporting of project outputs will be conducted in compliance with the stipulations set forth in the Grant Agreement and the Separate Agreement. In accordance with the donor's request and to avoid excessive complexity in the reporting process, Output 1.1 will measure the results of activities 1.1 and 1.2. Outputs 2.1 and 2.2 will measure the results of activities under Component 2, pertaining to various actions to promote the issuance of bond frameworks. Output 3.1 will synthesize and measure the multi-format trainings of activities under Component 3.

Medium high	Target issuers' inability to issue Green Bonds due to inadequate credit rating and policy and/or political-related disruptions.	IDB will manage this risk by: (i) Targeting multiple geographies in Latin America and issuers to diversify the risk; and (ii) On-going engagement with target countries through its local representations.
Medium high	Inability to use blending mechanisms between IDB guarantee with other institutions. Potential need of institutional arrangements between institutions.	IDB will mitigate this risk by previously identifying risk factors in this sense and work towards institutional arrangements that will enable the use of IDB guarantees with other institutions.

VI. Exceptions to Bank policy

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

VII. Environmental and Social Aspects

7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Results Matrix_38156.pdf](#)

[Terms of Reference_96319.pdf](#)

[Procurement Plan_90602.pdf](#)