

# Technical Cooperation Document

## I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Regional Project for Developing the Knowledge Base and Build Capacities to Enable the Mobilization of Capital Market Investments in Bioeconomy in the Amazon
▪ TC Number:	RG-T4365
▪ Team Leader/Members:	Alves, Tatiana Cneio (IFD/CMF) Team Leader; Vasa, Alexander (IFD/CMF) Alternate Team Leader; Hincapie Salazar, Daniel (CSD/ACU); Alves Dos Reis Natasha (IFD/CMF); Karina Azar (IFD/CMF); Martinez Lopez, Cynthia (IFD/CMF); Aurea Fuentes (IFD/CMF); Semeco Mata Fabiola Maria (IFD/CMF); Marquez, Claudia (IFD/CMF); Sierra Gonzalez, Eduardo (IFD/CMF); Benitez Moran Rosalia Del Pilar (IFD/CMF); Angela Pinzon (IFD/CMF); Cavazzoni Lima, Rafael (IFD/CMF); Eschoyez, Guillermo Antonio (LEG/SGO); Braly-Cartillier, Isabelle Frederique (ORP/REM); Demichelis, Jose Francisco (IFD/CMF); Villacorta Alvarez, Omar (IFD/CMF); Marquez Cardenas Valentina (IFD/CMF); Cardozo, Silvana (IFD/CMF)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	08 Aug 2024.
▪ Beneficiary:	IDB, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Green Climate Fund(GRN)
▪ IDB Funding Requested:	US\$2,500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	31 Mar 2025
▪ Types of consultants:	Firms and individual consultants
▪ 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:	Social inclusion and equality; Institutional capacity and rule of law; Environmental sustainability; Gender equality; Diversity

## II. Objectives and Justification of the Technical Cooperation (TC)

2.1 **Background.** In 2019, the governments of Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname signed the Leticia Pact for the Amazon Region, committing to coordinate efforts and responses among Amazon countries for the preservation of the natural resources of the region as well as to generate opportunities for the sustainable development and well-being of its population.<sup>1</sup>

<sup>1</sup> ACTO. "[Leticia Pact: Amazon countries support the strengthening of ACTO](#)". 2021.

- 2.2 Covering 6.7 million km<sup>2</sup> and portions of nine countries in Latin America and the Caribbean (LAC), the Amazon is a biome of great natural and cultural diversity that plays a central role in the global water, energy, and carbon cycles. It is the largest continuous system of tropical forests and rivers in the world and the largest reservoir of biodiversity on the planet, representing over 10% of all its plant and animal species. The Amazon is also a fundamental buffer against climate change, as it stores more than 100 billion tons of carbon, equivalent to approximately 10% of global emissions.<sup>2</sup> Home to 34 million people, including more than 500 indigenous groups, the biome provides multiple ecosystem services such as water recycling of 50-75% of annual rainfall to the atmosphere; food production, including 400,000 tons of fish per year; and a discharge of 200,000 m<sup>3</sup> of freshwater to the Atlantic Ocean every second.<sup>3</sup>
- 2.3 Given the Amazon's diverse biological, land, and water resources, the bioeconomy provides a robust framework for promoting sustainability. Shifting to business models and technologies that use natural capital and forest assets (i.e., bio-businesses) sustainably can contribute to lowering the impacts of climate change, reducing GHG emissions, and increasing the region's resilience and sustainable development. The potential for private investment in bio-business is significant and tapping it can be determinant of the ability of economies to sustainably leverage natural capital. Furthermore, the financial sector can play a significant role, along with boosting processes such as incubation and accelerating businesses and promoting comprehensive regulatory tools to adequately value natural and forest assets involved in bio-businesses.
- 2.4 **Amazon Bioeconomy Fund.** In October 2021, the Green Climate Fund approved the Amazon Bioeconomy Fund<sup>4</sup> with a focus on enabling the conditions to increase the flow of private funds to bio-businesses that can reduce the impact of climate change, safeguard local livelihoods, and promote more inclusive and sustainable development in Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname. The Amazon Bioeconomy Fund is a US\$598 million program implemented by the Inter-American Development Bank (IDB), with a US\$279 million investment from the Green Climate Fund in the form of grants, loans, and equity. Under Component II of the Amazon Bioeconomy Fund (Green bond Structuring and Issuance), provisions will be made for technical cooperation to support financial advisory services. This support aims to effectively integrate bio-businesses into the **use-of-proceeds**<sup>5</sup> commitments of thematic bond issuances in the Amazon Region (US\$5 million).<sup>6</sup> Of this amount, US\$2.5 million is being requested for this Technical Cooperation. Activities under this component may include: (i) support for the legal and financial structuring of the bond, including the assessment of credit enhancement options, covered bond structures, co-finance/anchor investment with emerging market bond funds and other guarantee alternatives; (ii) development of the bond framework, including eligibility criteria; (iii) bond certification and methodology; and (iv) harmonization and standardization of

---

<sup>2</sup> WWF. "Recommendations for the Implementation of the Leticia Pact in a Context of Green, Just and Resilient Economic Recovery". 2021.

<sup>3</sup> Ibid.

<sup>4</sup> <https://www.greenclimate.fund/project/fp173>.

<sup>5</sup> Bonds with proceeds earmarked for Green, Social or Sustainable projects.

<sup>6</sup> For further information, visit: [The Amazon Bioeconomy Fund: Unlocking private capital by valuing bioeconomy products and services with climate mitigation and adaptation results in the Amazon](#).

bond reporting following international standards, particularly through the IDB Green Bond Transparency Platform (GBTP).<sup>7</sup>

- 2.5 **Amazonia Bonds.** In August 2023, the IDB and the World Bank (WB) signed a Memorandum of Understanding (MoU) that marks the start of a four-year partnership to drive stronger results for people in LAC and the Amazon region. This partnership aims to boost support for net-zero deforestation efforts and transform the nature/forest/climate agenda in Amazonia. IDB and WB will leverage their programs to support Amazon countries to implement strategic actions on forest packages and the protection of nature in biodiversity-rich areas of their territories. The Amazonia Bonds Initiative is being developed under this partnership as an ambitious and innovative capital markets solution, including **use-of-proceeds** thematic bond issuances to support funding for regional sustainable development (including bioeconomy components in some cases). This initiative focuses on environmental and social sustainability in the Amazon, benefiting both public and private sector issuers, including sovereigns, Public Development Banks (PDB), and private sector entities in Amazonian countries. Eligible countries include Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname.<sup>8</sup>
- 2.6 **Green Coalition.**<sup>9</sup> Born out of the Amazon Summit in Belém do Pará in August 2023, the Green Coalition (GC) is an alliance of 17 PDBs from countries that share the Amazon region, the IDB, the WB, and the Development Bank of Latin America and the Caribbean (CAF) with the primary objective to promote and support the sustainable, resilient, and inclusive development of the Amazon region. The GC's foundational objective is to leverage the capacities and resources of PDBs operating in the region to implement best practices and finance activities and projects that promote the sustainable development of the Amazon region while reducing social and regional inequalities. To ensure resources are channeled effectively in the region, the GC works through four workstreams supporting: (i) market mapping in the Amazon, integration, and collaboration; (ii) the development of investment guidelines and frameworks for PDBs in the Amazon; (iii) technical support to GC members' financial products for their client base; and (iv) identifying opportunities and developing new financial instruments to mobilizing resources for its members.
- 2.7 **Innovative Financial Solutions for the Amazon Region.** In line with the initiatives described in the previous paragraphs, the IDB also aims to develop financing solutions for the Amazon region, such as the Exchange Traded Fund (ETF), for raising funds for sustainable investments in Amazon, and other regional blended finance solutions that can pool-in and channel resources to the Amazon region. In the case of the ETF, it will be composed of thematic bonds issued by PDBs, with the funds raised being allocated to sustainable projects in the Amazon region.
- 2.8 The Amazon Bioeconomy Fund's objective of supporting the market to include bio-business in use-of-proceeds issuances is highly complementary to the other initiatives highlighted. The Amazonia Bonds initiative is developing investment guidelines for use-of-proceeds thematic issuances in the region. This TC aims to reinforce these efforts, with a particular focus on strengthening bioeconomy components, by providing

---

<sup>7</sup> See: <https://www.greenbondtransparency.com/>.

<sup>8</sup> Brazil, Colombia, Ecuador, and Peru have been prioritized due to their existing experience in issuing thematic bonds and familiarity with capital markets.

<sup>9</sup> See <https://green-coalition.com/>.

adequate analytical frameworks, methodologies, and standardization, in addition to supporting their operationalization and financial innovation associated with it. Additionally, the Green Coalition, as an alliance of banks operating in the region, represents potential issuers and serves as a platform to facilitate technical and fundraising efforts. The eligibility criteria for the bonds under initiatives, such as the ETF and other regional financial mechanisms, will be determined by the Amazonia Bond Investment Guidelines (see paragraph 2.5 above) and will focus on financing alternative economic activities in the Amazon region.

- 2.9 To achieve sustainable development in the Amazon Region, thematic issuances and innovative financial solutions involving them must ensure that bio-businesses are effectively included as recipients of financial flows. The Amazon region is home to several agroforestry value chains with potential mitigation and adaptation benefits from adopting more sustainable practices such as coffee, cacao, açai, non-Timber Natural Forest Products (NTFP), as well as native aquaculture and forestry species and in nature-tourism value chains with community-led nature tourism that could benefit from additional funding.
- 2.10 **Justification.** Capital markets can provide, in the Amazon region, an adequate platform for new financial mechanisms to access and channel private investments more efficiently to bioeconomy projects that address social, economic, climate, and environmental challenges altogether.
- 2.11 In LAC, market participants are taking increased interest in the issuance of thematic bonds to raise capital for sustainable projects and attract new pools of investors with growing concern for environmental and social standards in their investment decisions. Since 2015, more than US\$175 billion has been issued in the LAC market by more than 380 issuers through more than 650 individual thematic issuances.<sup>10</sup> Of this total volume, about US\$70 billion –almost 40%– was issued in the last two years. Regarding the use of proceeds, the GBTP –an IDB’s flagship transparency initiative– reports US\$2.2 billion in disbursements related to 70 land-use projects (12% of the total disbursed volume). Despite its strong growth, LAC’s thematic bond market represents less than 5% of the total global volume, and the volumes allocated to land use and forest-compatible activities are relatively small.
- 2.12 Several barriers hinder the development of thematic bond issuances, including: (i) inadequate know-how on what it means to issue a thematic bond, the process involved, and where to find support to do it; (ii) lack of understanding about the benefits associated with the thematic bonds issuance; (iii) higher costs for issuers compared to ordinary bonds; and (iv) the issuers’ inability to adhere to international best practices and standards.
- 2.13 Specifically, for thematic bond issuances focused on land-use and bioeconomy, there are not enough methodologies to support the issuance of products that finance bioeconomy-based activities and value chains. Current methodologies fail to meet the financing needs of different Amazon based bioeconomy business models.
- 2.14 Regarding the inclusion of women and Diverse Groups (DGs), it is important to stress that there are differential gender and DGs barriers that hinder access to and use of capital markets and financial system. It is estimated that there is a financing gap of

---

<sup>10</sup> Data provided by the Green Bond Transparency Platform, updated as of June 2024.

US\$93 billion for women MSMEs in LAC.<sup>11</sup> There is a consistent lack of data disaggregated by sex and ethnic level in the financial and capital markets, which impedes an understanding of access to finance, specifically for a sub region like the Amazons. Information from the Brazilian Amazon region<sup>12</sup> shows that women MSMEs are less present in those states: 23% compared to the national average of 28%. Estimates indicate<sup>13</sup> that over 1.5 million Indigenous People (IP) live in the Amazon in South America, and that they play a vital role in environment conservation and their livelihoods are directly linked to it. Given the lack of information on the intersection of gender, IP, financial systems, and the Amazon, it is important to understand main barriers and needs in order to include them in initiatives such as thematic bond issuances. Taking a step forward to promote equitable participation of women in the bioeconomy, the Amazon Bioeconomy Fund integrates a Gender Action Plan that articulates complementary activities including gender assessment studies, training programs for women entrepreneurs, technical assistance for financial intermediaries to incorporate a gender lens in their portfolio decisions and gender evaluation systems.

- 2.15 To address these challenges, LAC sustainable capital market actors need targeted support to develop the market effectively. This support should include: (i) financial support for the creation of innovation in capital markets instruments; (ii) provide funding to develop new definitions and methodologies for green and sustainable investments in bioeconomy projects; and (iii) build institutional capacity and credibility among market participants, including issuers, investors, asset managers, regulatory authorities, stock exchanges, and standard setters. This Project aims to overcome these barriers, fostering a shift in the current dynamic.
- 2.16 While the IDB has accumulated and shared knowledge on thematic bond issuance<sup>14</sup> and market development in Latin America - particularly in the context of public financial institutions, as evidenced by publications about previous issuances of Public Development Banks,<sup>15</sup> as well as broader market trends such as the use of financial innovation and technology to expand Green Bond Issuance,<sup>16</sup> this knowledge has been treated separately from the research and insights generated on bioeconomy. The latter has primarily focused on mapping country profiles<sup>17</sup> and designing implementation strategies.<sup>18</sup>
- 2.17 The knowledge generated by this TC aims to establish a connection between bioeconomy and capital markets, as both issuers and investors face challenges in identifying eligible projects and defining acceptable eligibility criteria. The Amazonia Bonds Investment Guidelines (see 2.7) represent an initial step in this direction. However, as a broad guide covering multiple sectors essential to the development of the Amazon region, it does not provide the sector-specific details necessary for bioeconomy. Therefore, further work is needed to define eligible projects and sectoral

---

<sup>11</sup> MSME Finance Gap, World Bank.

<sup>12</sup> SEBRAE, [Mapeamento de empresas com quadro societário predominantemente feminino](#), 2022.

<sup>13</sup> USAID, [Indigenous People](#).

<sup>14</sup> [How to Issue Thematic Bonds](#).

<sup>15</sup> [Developing the Thematic Bond Market in Latin America and the Caribbean: Brazil's First Sustainable Bond by a Public Financial Institution](#).

<sup>16</sup> [Transforming Green Bond Markets: Using Financial Innovation and Technology to Expand Green Bond Issuance in Latin America and the Caribbean](#).

<sup>17</sup> [Amazonia Bioeconomy Country Profiles](#).

<sup>18</sup> [Guía Metodológica para el Diseño de Estrategias de Bioeconomía](#).

eligibility criteria clearly, ensuring the effective integration of bioeconomy into the thematic bond market.

- 2.18 **Objective.** The general objective of this TC is to support the generation of knowledge to integrate bioeconomy into debt capital markets, intending to further leverage financing towards bioeconomy-based activities and bio--businesses in the Amazon region. It will build institutional capacity for potential issuers and lay the foundations for market development of thematic bond issuances with bioeconomy components in this region. The specific objectives are: (i) to promote and develop the market for Amazon—labelled thematic bonds with a focus on bioeconomy, by supporting the development of definitions, methodologies, and frameworks related to these types of businesses; (ii) to boost institutional capacity and build the necessary conditions to ensure the viability of projects with scope and activities aligned with bioeconomy-based activities, products, value chains; and (iii) to facilitate access to bioeconomy investments, and mobilize resources through innovations in capital markets instruments.
- 2.19 **Beneficiaries.** This TC will benefit eligible the IDB and its borrowing member countries in accordance with GCF Amazon Bioeconomy Fund (Brazil, Colombia, Ecuador, Guyana, Peru and Suriname).<sup>19</sup> This TC will benefit sovereign nations that could potentially issue thematic bonds with bioeconomy components in the Amazon Region, as well as public development banks, including those within the Green Coalition.<sup>20</sup> The broader impact extends to the inhabitants of the Amazon territories, including sub-national governments, state-owned enterprises (such as public utilities), and private sector entities capable of issuing use-of-proceeds bonds in the Amazon region. More specifically, Component 1 of this TC is designed to benefit a broader audience, given its nature as a knowledge product and its additional role in expanding the operational capacities of the Green Bonds Transparency Platform—an open-access transparency platform. On the other hand, Components 2 and 3 will be specifically targeted at sovereign issuers and public development banks interested in becoming early movers in bond issuances with bioeconomy components. Aligned with the results framework, these components aim to benefit at least six different institutions — sovereigns and public development banks that could issue bonds with bioeconomy components — by providing the necessary support to incorporate bioeconomy as a use of proceeds in their sustainable finance frameworks, effectively enabling the operationalization of debt issuance with these components by those institutions.
- 2.20 **Added value.** This TC will complement other IDB strategic activities, such as the Amazonia Bonds, the Green Coalition, and the development of innovative financial solutions for the Amazon Region, including instruments like the ETF, as explained above.
- 2.21 **Complementarity.** This technical assistance will complement technical cooperations and loan operations from the IDB that are currently being prepared and executed. Some of these include the Regional Green Bonds Program for LAC ([ATN/AC-17318-RG](#)), the IDB Green and Sustainable Finance Program for LAC ([ATN/CF-18899-RG](#)) and Unlocking Institutional Investors-Participation in Local

---

<sup>19</sup> The six beneficiary countries of the Amazon Bioeconomy Fund.

<sup>20</sup> At any point during the execution of components and activities, if interactions with local government entities or clients become more specific, the team will obtain letters of request/non-objection from the clients, as needed.

Green Bond Markets and Direct Investments ([ATN/SX-19937-RG](#)), all under implementation, that support the scale-up and replication of the IDB support for green bonds, targeting new issuers (governments and municipalities), new investors (institutional investors) and new instruments (sustainable bonds). The TC also has synergies and complementarity with IDB Invest activities, as private sector issuers could benefit from issuing Amazon-labeled thematic bonds focused on the bioeconomy, following the definitions, methodologies, and frameworks developed by this TC.

- 2.22 The knowledge products generated by this TC, particularly those related to Component 1 (further detailed in Section III), are expected to facilitate the issuance of bonds with bioeconomy components for both public entities (such as sovereigns and public development banks) and private companies (including private banks). This will be achieved by providing a better understanding of what qualifies as bioeconomy-related eligible projects in the context of capital markets and their respective eligibility criteria (e.g., activities such as eco-tourism, non-timber forest product management, agroforestry, and tree-based production systems, among other possibilities).
- 2.23 For private issuers, this knowledge can be shared through existing platforms with the support of IDB Invest, leveraging initiatives such as the Amazonia Finance Network<sup>21</sup> — an alliance that brings together private financial institutions to increase investment flows and mobilize capital for the Amazon region. The Amazonia Finance Network is also part of IDB's Amazonia Forever Program (see 2.23) and complement the public sector bank group, the Green Coalition (see 2.8), to foster synergies between the public and private sectors.
- 2.24 **IDB Strategic Alignment.** This TC is consistent with the IDB Group's Institutional Strategy: Transforming for Scale and Impact (CA-631) through the objectives of: (i) reducing poverty and inequality; (ii) addressing climate change; and (iii) bolstering regional sustainable growth by increasing financial flows towards bioeconomy -based activities and bio-businesses in the Amazon region, thereby channeling private investments more efficiently to bioeconomy projects that address social, economic, climate, and environmental challenges altogether. The TC is also well-aligned with the seven areas of operational focus, particularly in the areas of: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; (iii) institutional capacity, rule of law and citizen security, and (iv) productive development and innovation through the private sector. Additionally, the TC is aligned with the Amazon Bioeconomy Fund (GN-3081-1). Moreover, a strong collaboration component is expected with other programs such as the Amazonia Forever,<sup>22</sup> a comprehensive umbrella initiative aimed at scaling up financing, sharing strategic knowledge for decision-makers, and enhancing regional coordination to accelerate the sustainable, inclusive, and resilient development of the Amazon region. This includes initiatives like the Amazonia Bonds and the Green Coalition (§2.7, §2.8).

### III. Description of activities/components and budget

- 3.1 The TC aims to generate knowledge and enhance institutional capacity to integrate bioeconomy-based activities and bio-businesses into debt capital markets, in addition

---

<sup>21</sup> [Amazonia Finance Network](#).

<sup>22</sup> [Amazonia Forever](#).

to developing innovative financial instruments to address the aforementioned barriers and challenges. This will contribute towards the development of sustainable capital markets encompassing bioeconomy in the Amazon Region. Amazon countries have active green and sustainable capital markets with an aggregate volume of about US\$40 bn issued by about 200 issuers and 270 issuances.<sup>23</sup> Effectively, including bioeconomy in this market provides an important opportunity for these activities. To this end, the TC proposes three components as described below:

- 3.2 **Component 1. Development of analytical frameworks, methodologies, and standardized reporting for bioeconomy-based projects, activities, and businesses (US\$370,000).** Technical assistance will support the required analytical work to develop relevant methodological frameworks, define eligibility criteria, assess the feasibility, and support the standardization of sectors and activities for debt instruments in capital markets that also include bioeconomy-based components. This will entail engagement with international standard-setters as well as inter-institutional dialogue to generate awareness, identify opportunities, and develop relevant bioeconomy-based and bio-businesses activities and project pipelines in Amazon countries.
- 3.3 The knowledge and resources generated from the following proposed activities will provide the principles and guidelines for best practice management and reporting of eligible bioeconomy proceeds and to establish and monitor relevant KPIs.
- 3.4 Activity 1.1. Assess the feasibility of bioeconomy debt capital financing in the Amazon region and develop its analytical framework and methodology. In coordination with relevant standard setters and local financial regulators, this activity aims to analyze and define the eligibility criteria for bioeconomy projects, including details (constraints, risks, and impacts) on the value chain structures of eligible productive projects within the framework of eligible bioeconomy projects. Furthermore, under this activity, it is contemplated to develop a methodology and framework that ensures a common understanding of bioeconomy, taking into account its interpretation across different countries and regions within the Amazon. This will also include defining bioeconomy-based products and value chains, to integrate these concepts into the LAC debt capital markets.
- 3.5 These analytical frameworks and methodologies will guide the adoption of best practices to finance “bioeconomy” through climate and nature-positive projects and activities. These initiatives aims to contribute to the reduction of deforestation pressure in existing native forests, promote restoration of existing degraded lands with sustainable, climate and biodiversity smart practices, while also aligning with market best practices, including the principles and guidelines proposed by ICMA,<sup>24</sup> LMA,<sup>25</sup> standards by CBI<sup>26</sup> and the Investment Guidelines under development for the Amazonia Bonds Initiative, as well as impact measurement methods and standards.

---

<sup>23</sup> GBTP.

<sup>24</sup> The International Capital Market Association (ICMA) sets standards for sustainable finance, including the Green Bond Principles (GBP) and Social Bond Principles (SBP).

<sup>25</sup> The Loan Market Association (LMA) establishes standards and frameworks for sustainable finance, including the Green Loan Principles (GLP) and Sustainability Linked Loan Principles (SLLP), which guide the use of proceeds and performance-based sustainability targets in green and ESG-focused loans.

<sup>26</sup> Climate Bonds Initiative (CBI) develops standards and certification for climate-related investments, including the Climate Bonds Standard.

- 3.6 It is also contemplated to conduct studies to assess the market size of bio-businesses, as well as enabling sectors for the strengthening and consolidation of bioeconomy-based activities and bio-businesses. This includes identifying potential issuers and pipeline development to scale the financing of eligible projects and activities. Where possible, these feasibility studies should also integrate the degree to which women can benefit from the business's perspective, whether as owners or leaders. Support will be provided for the implementation of pilot projects, with the GBTP serving as a guiding tool to pilot the alignment of activities with established standards.
- 3.7 Activity 1.2. Enhance the functionalities of the Green Bond Transparency Platform (GBTP). This activity aims to expand the operational capacities of the GBTP to support the harmonization and standardization of thematic bonds with bioeconomy components and use-of-proceeds. The GBTP, launched in 2021, has become the key reporting tool for thematic bond issuances in the LAC green bond market, covering about 80 percent of the region's market, or a total of US\$30 billion reported by more than 100 issuers.
- 3.8 The public good character of the GBTP, facilitating harmonized and publicly available reporting, can be extended to issuers of other thematic bond types, such as bioeconomy bonds. The improved capacity of the GBTP will facilitate the disclosure of use-of-proceeds, impacts, methodologies, and reporting standards related to bioeconomy in bond markets.
- 3.9 **Component 2. Improvement of Market participants' institutional capacity (US\$840,000).** This component will focus on boosting market participants' readiness to carry out issuances with bioeconomy components. To achieve this, technical assistance will be provided to determine institutional gaps, define a roadmap for implementation at the issuer level, as well as support the development and adoption of templates, risk models, and tools consistent with the methodological frameworks established in Component 1.
- 3.10 To enhance issuers' risk management and disclosure capacities, this component will provide support to align their ESG risk management procedures and information systems with market best practices. It will also promote knowledge exchange through investor dialogues, such as the Investors Policy Dialogue on Deforestation Initiative (IPDD)<sup>27</sup> and other relevant forums.
- 3.11 Activity 2.1. Perform gap analysis to implement bioeconomy financing and address identified gaps at the issuer's level. This activity is structured in two phases. The first aims to conduct a gap analysis for relevant public sector market participants to implement bioeconomy financing through debt capital markets and includes the development of an implementation roadmap with sovereigns or public development banks. The roadmap will consist of concrete actions to close identified gaps related to issuing a thematic bond that incorporates bioeconomy. The second phase addresses the identified gaps through targeted action. Depending on the issuer's needs, these actions may include project selection, management of proceeds, strengthening ESG risk management and disclosure, impact reporting, or monitoring of KPIs, among others. Based on the findings from the gap analysis, technical assistance will be

---

<sup>27</sup> **IPDD:** An investor-led engagement initiative that aims to halt deforestation in the most vulnerable biomes of the world.

provided to build the necessary conditions to ensure the viability of bioeconomy financing through capital markets.

- 3.12 Activity 2.2. Capacity building for the deployment of resources, identification, and development of relevant portfolios. This activity aims to identify barriers faced by key stakeholders, including end-producers, bio businesses, and the different relevant participants across bioeconomy-based value chains. It will also assess the types of technical assistance needed to overcome these barriers and support the development of tools and strategies (e.g., financial instruments, project aggregation, engagement with off-takers, capacity to collect sex/ethnic disaggregated data) to support the identification of qualified projects and activities in eligible value chains. The goal is to generate a relevant pipeline of projects and activities for future issuances. Specific activities may include, but are not limited to, implementing monitoring systems consistent with the criteria defined for bioeconomy project selection, developing adequate operational structures and know-how for potential thematic bond issuers to identify projects, building capacity for project aggregation, and collaborating with off-takers.
- 3.13 **Component 3. Facilitate access to bioeconomy investments (US\$1,290,000).** This component will identify prospective issuers (i.e., Green Coalition members, sovereigns) to pilot innovative financial solutions (such as the ETF, guarantee mechanisms, and blended finance mechanisms) aligned with international best practices for institutional investors as well as retail investors, creating adequate incentives for market participants and reducing the cost for bioeconomy activities to access new sources of financial resources.
- 3.14 Activity 3.1. Assess viability to develop innovative financial solutions for local issuers. This activity aims to organize roundtables and stakeholder engagement to: (i) identify market demand from investors for structured financial mechanisms including bioeconomy components; (ii) compile international experiences of innovative financial solutions, such as retail access to investors; (iii) review management and technical fees to build market and technical conditions to implement the financial solution in international markets; and (iv) assess legal and regulatory compliance to obtain regulatory approvals.
- 3.15 Activity 3.2. Develop innovative financial instruments. This activity seeks to conceptualize an investment strategy, design, and implement financial solutions, and establish strategic partnerships to drive broader adoption of these financial solutions, including engagement with rating agencies, fund management companies, investors, and other key players. Continuous monitoring, performance tracking, and investor engagement programs are emphasized to ensure the success of the solution in mobilizing financing toward sustainable bio-businesses. Activities may include, but are not limited to, developing the legal documents for the proposed instruments, hiring third-party providers necessary for operational execution (such as custodians and index providers), and conducting roadshows and investor education events for the proposed instruments.
- 3.16 **Budget.** The project is estimated to require a total of US\$2,500,000 which will be financed by the Green Climate Fund (GRN) through the Amazon Bioeconomy Fund. The contribution will finance the hiring of consulting services (individual and firms) for the development of the activities. Table 1 details this budget:

**Table 1. Indicative Budget in USD**

Component	Description	IDB/GRN	Total Funding
<b>Component 1</b>	<b>Development of analytical frameworks, methodologies, and standardized reporting for bioeconomy-based projects, activities, and businesses:</b>		
	1.1. Assess the feasibility of bioeconomy debt capital financing in the Amazon region and develop its analytical frameworks and methodology.	120,000	120,000
	1.2. Enhance the functionalities of the Green Bond Transparency Platform (GBTP).	250,000	250,000
<b>Component 2</b>	<b>Improvement of Market participants' institutional capacity:</b>		
	2.1. Perform gap analysis to implement bioeconomy financing and address identified gaps at the issuer's level.	540,000	540,000
	2.2. Capacity building for the deployment of resources, identification, and development of relevant portfolio.	300,000	300,000
<b>Component 3</b>	<b>Facilitate access to bioeconomy investments:</b>		
	3.1. Assess viability to develop innovative financial solutions.	290,000	290,000
	3.2. Develop innovative financial instruments.	1,000,000	1,000,000
<b>TOTAL</b>		<b>2,500,000</b>	<b>2,500,000</b>

3.17 **TC Supervision.** The administrative and technical supervision of the proposed technical assistance program will be under the responsibility of the Connectivity Markets and Finance Division (IFD/CMF), through the Project Team Leader, with support from the Amazon Unit (CSC/ACU). Depending upon the selected beneficiaries, focal points will be assigned in the Bank's Country Offices (COF) to coordinate and keep them informed of the outcomes of this TC.

3.18 **Monitoring arrangements.** Monitoring and evaluation of operations approved with resources from the Amazon Bioeconomy Fund follows standard IDB policy. Indicators will be incorporated into the IDB's internal reporting systems (TCM, results matrix) and, whenever possible, will be integrated into the GCF's annual reporting cycle (APR - Annual Performance Report), which follows its own structure.

#### IV. Executing agency and execution structure

- 4.1 The IDB will be the executing agency through the Connectivity Markets and Finance Division (IFD/CMF) in coordination with the Amazon Unit (CSC/ACU).
- 4.2 The IDB team will include CMF staff members leading the process of thematic bond structuring and issuances, bringing the necessary experience to ensure compliance with the relevant procurement policies and procedures. Additionally, the team will be

accompanied by a group of consultants. CMF has ample experience and a proven record of successfully executing regional TCs to support debt capital markets. Moreover, the Bank is considered to have adequate systems to guarantee the proper execution of the project and ensure the sustainability of its implementation in line with the “Operational Guidelines for Technical Cooperation Products” (GN-2629-1).

- 4.3 The TC will ensure that the materials developed by consultants are peer-reviewed by the IDB and where applicable by market experts. All products from this TC will be the intellectual property of the Bank.
- 4.4 **Procurement.** All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex III) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650), and (b) Contracting of consulting firms for services of an intellectual nature and procure of logistics and other related services in accordance with the Corporate Procurement Policy (GN-2303-33) and its Guidelines.

## V. Major issues

- 5.1 The overall project risk is low to medium considering IDB’s established track record and partner network in the green and sustainable bond space. Having supported over 25% of the total bond issuances (volume) that have taken place in LAC, the Bank has become a regional benchmark for promoting sustainable debt capital markets. The major risks, levels, likelihood, and mitigation measures are described in Table 2.

**Table 2. Risk Matrix**

Type of Risk	Description	Likelihood	Impact	Mitigation measure
Engagement / Participation	Inability to identify target organizations or generate interest to successfully engage and participate in the Program’s activities.	Medium	Medium	IDB has strong experience and network in the target countries and has already identified preliminary demand for Debt Capital Markets (DCM) and thematic bond technical support.
Operational	Insufficient transformation of identified demand into fundable projects.	Medium	Medium	Market development activities include supporting bio-business pipeline development and technical assistance will support firms to develop high-quality, bankable projects.
Reputational	Beneficiaries’ involvement in unsustainable or greenwashing practices could feed back to IDB.	Low	Low	The Bank will implement its ESG policies and will thoroughly screen all beneficiaries to avoid engaging with institutions/organizations that could cause reputational harm. Furthermore, the Bank will enhance beneficiaries’ awareness and capabilities for promoting sustainable financial practices.
Economic	The tightening of economic conditions translates into higher interest rates, making funding through capital debt markets less attractive.	Medium	Low	Investor appetite for innovative and more robust (stricter standards) sustainable debt instruments can lead to more demand for bonds with bioeconomy components, having

				a potentially positive impact on the terms of the issuances.
Political	Changes in government priorities and government elections could hinder the implementation of bio-business-friendly policies and regulations in the financial sector.	Medium	Medium	Target countries have made international commitments and participate in initiatives aligned with the promotion of the bioeconomy. In addition, public opinion exerts pressure on governments and investors to deliver the environment required to facilitate sustainable private investment.

**VI. Exceptions to Bank policy**

6.1 There are no exceptions to the Bank policies.

**VII. Environmental and Social Aspects**

7.1 This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Bank's Environmental and Social Policy Framework (ESPF) (GN-2965-23).

**Required Annexes:**

[Results Matrix\\_9608.pdf](#)

[Terms of Reference\\_81362.pdf](#)

[Procurement Plan\\_73850.pdf](#)