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CLIMATE ACTION: COMMUNITY-DRIVEN TRANSFORMATION IN CENTRAL AMERICA

(RG-G1063, RG-T4467)

DONORS MEMORANDUM

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PROJECT SUMMARY
(RG-G1063, RG-T4467)

Local, bottom-up approaches, to address climate change are key in Central America, a region that is increasingly vulnerable to extreme climate events due to its geographical exposure, poverty levels and a strong dependence on agriculture. Although funding and proven solutions to help mitigate/adapt to climate change do exist, they are not spreading to communities fast enough, leading to duplication of efforts or inaction. This is caused by lack of access to information about available opportunities, low institutional capacity of community-based organizations to manage complex grant funding processes, lack of resources and channels for innovators to make their proven solutions available in different geographies/populations and limited reach of grant funding due to lack of capacity of donors to provide smaller grants directly.

ChangeX is a leading global platform for identifying, scaling, and financing proven social and environmental innovations, through empowering local communities to drive change, that provides a turnkey solution for donors to invest in communities in an impactful and measurable way. The project "Community-Driven Action in Central America" aims to finance proven climate adaptation and mitigation solutions, by adapting and expanding ChangeX's model in Costa Rica, El Salvador, Guatemala, Honduras, and Panama. The main activities of the project are to communicate, award and monitor resources, funds and support to local communities in the targeted countries to implement proven solutions, design a green innovation portfolio of proven solutions in the targeted countries that is easily available for local communities to replicate and improve green innovation impact capacity within ChangeX to be able to both promote green funding mobilization from private sector and adapt its platform and monitoring systems.

The project is innovative because it promotes scaling up green proven solutions using technology and a community-centric approach to system change, providing communities with an agile and cost-efficient way to access and deploy resources and receive continuous support. The project will also expand the capacity of communities to collect green impact data from their projects through the development of an impact monitoring system for climate, diversity, and gender indicators. The adaptation of the ChangeX model to the Central America context also implies piloting funding models to mobilize international and regional actors with smaller entry tickets, as well as adaptations to ensure the tech platform is accessible to hard-to-reach communities, with a special focus on Indigenous communities and women.

Main results of the project will be the adoption of climate mitigation and/or adaptation of at least 20 proven solutions/projects by over 200 local communities in Costa Rica, El Salvador, Guatemala, Honduras and Panama, with 50% of them located in regions where the majority of the population is vulnerable in terms of income.¹ There will be over 7,500 Community participants in the funded green impact projects and more than 1,000 Community team members leading the implementation of the initiatives. This will be possible through at least one million US\$ in grant funding distributed between the communities and innovators.

The proposal aligns with the Agriculture and Natural Capital vertical and Climate Change and Gender and Diversity cross cutting areas. It contributes to several IRF indicators and aligns with SDGs 10- Reducing inequality, 13- Climate Action, and 15- Life on Land.

¹ Economic or income vulnerability refers to populations whose daily income falls below the US\$14 threshold at purchasing power parity (PPP), as per the World Bank Group's guidelines (see <https://www.bancomundial.org/es/topic/poverty/lac-equity-lab1/overview>).

ACRONYMS AND ABBREVIATIONS

CCS	Climate Change and Sustainability
CID	Central America, Mexico, and Dominican Republic Region
CRIG	Contingent Recovery Investment Grant
CSD	Climate Change and Sustainability Division
CTI	Competitiveness, Technology, and Innovation
DICI	Integrity and Institutional Capacity Diagnostic
EA	Executing Agency
ECLAC	Economic Commission for Latin America and the Caribbean
FAO	Food and Agriculture Organization of the United Nations
FILAC	Fund for the Development of Indigenous Peoples of Latin America and the Caribbean
GCF	Green Climate Fund
GEF	Global Environment Facility
laaS	Impact as a Service
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
IDB Lab	Multilateral Investment Fund
ILO	International Labor Organization
IRF	Integrated Results Framework
LAC	Latin America and the Caribbean
MEL	Monitoring, Evaluation, and Learning
ND-GAIN	Notre Dame Global Adaptation Initiative
NGO	Non-Governmental Organization
NRTC	Non-Reimbursable Technical Cooperation
OECD	Organization for Economic Co-operation and Development
OII	Office of Institutional Integrity
PPP	Purchasing Power Parity
PSR	Project Status Report
RND	Environment, Rural Development and Disaster Risk Management Division
SDG	Sustainable Development Goals
SI	Social Innovator
UN	United Nations

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EXECUTIVE SUMMARY

Geographic Location:	Guatemala, El Salvador, Honduras, Costa Rica, Panamá		
Executing Agency:	ChangeX United States, Inc, a non-profit registered as (501(c)(3)		
IDB Lab Vertical and Cross-cutting areas:	Agriculture and Natural Capital vertical and Climate Change and Gender and Diversity cross cutting areas		
Coordination with Other Donors/Bank Operations:	The project complements several Bank Operations especially led by CSD/RND & CSD/CCS divisions in the five countries that are focused on climate adaptation and resilience, promoting nature-positive agriculture with small scale farmers, and forests restoration and protection. The list of projects is included in section III.A.		
Project Beneficiaries:	The project aims to support vulnerable groups, including women, rural and Indigenous communities, with at least 50% of projects expected in areas of high vulnerability, focusing on small scale agriculture. The project will directly benefit 1,000 community members engaged in implementing teams of funded green impact projects and reaching a total of 7,500 community participants. Finally, the project will benefit 20 innovators who will amplify the reach of their solutions into communities.		
Financing:	Non- Reimbursable Technical Cooperation (NRTC):	US\$500,000	22%
	Contingent Recovery Investment Grant (CRIG):	US\$650,000	28%
	Total IDB Lab Funding:	US\$1,150,000	50%
	Counterpart:	US\$1,150,000	50%
	TOTAL PROJECT BUDGET:	US\$2,300,000	100%
Execution and Disbursement Period:	36 month execution and disbursement period for the CRIG, and 36-month execution and 42-month disbursement period for the NRTC.		
Conditions for the First Disbursement of the NRTC and the CRIG	Conditions prior to the first disbursement of the NRTC and the CRIG will be, to the Bank's satisfaction: (i) general conditions for the disbursement of the contribution detailed in the Agreement, (ii) designation of the project manager; (iii) selection of a dedicated employee to act as project coordinator; (iv) a procurement plan, and (iv) financial statements (management accounts) as of the month immediately preceding the disbursement request. Additional special conditions for the disbursements of both instruments are detailed in section V of this document.		
Environmental and Social Impact Review	This operation was screened and classified in accordance with the IDB's Environmental and Social Policy Framework (document GN2965-21) on April 3, 2023. Given the limited impacts and risks, the project has been proposed as a category C operation.		
Unit responsible for disbursements	Panama COF		

challenges interconnect and operate at once in the regional ecosystem hindering communities' ability to adopt and scale innovations:

i) Lack of access to information about available opportunities: Many communities in the region do not have access to information about existing technologies and methodologies to adopt, adapt and implement the most appropriate solutions for their specific needs. In addition, vulnerable communities, especially, are not aware of available grants, and are not familiar with eligibility and application processes, widening the gap between vulnerable communities and the access to finance.

ii) Low institutional capacity of community-based organizations: Many organizations lack the technical and administrative capacity needed to successfully apply for and manage complex grant funding processes. Many of these communities are in remote areas and/or are characterized by high levels of poverty.

iii) Limited reach of funds to community led projects and innovators: Despite the availability of dedicated grant funding sources in Central America, finance available for community-led climate adaptation and mitigation initiatives are often limited, especially at a grassroots level, as it is difficult for donors to effectively manage and measure the impact of multiple small projects.

iv) Innovators behind ideas lack resources and channels to make their ideas available in different geographies and to different population segments. a) The region's infrastructure for innovation and technology transfer is still in its nascent stage. This represents a significant barrier to the development of new solutions for climate adaptation and mitigation and the diffusion of proven successful solutions that originated outside the region. b) Many innovators lack the networks and collaboration needed to successfully leverage funding to scale their solutions, particularly to other geographies.

- 1.5. Communities, especially indigenous ones, play a key role in the management and conservation of their natural resources and have deep knowledge of their local ecosystems, including their vulnerability and their potential for sustainable development but lack the support needed to successfully leverage and implement proven solutions and grant funding.
- 1.6. **Target Beneficiary Population:** The project will benefit vulnerable populations including rural and Indigenous populations. Most beneficiaries will be small scale producers or work in rural economies that will be dependent on small scale agriculture. It is expected that at least 50% of the community projects to be approved will be located in municipalities where the most population is vulnerable².
- 1.7. **Indigenous Populations.** Across Central America, Indigenous populations vary significantly in size, reflecting diverse cultural landscapes. In El Salvador, Indigenous peoples like the Lenca and Pipil represent approximately 1% of the total population. Honduras boasts a larger indigenous demographic, accounting for around 8-10% of the population, including groups like the Lenca and Garifuna. In Guatemala, Indigenous peoples comprise a substantial 40-50% of the total

² Populations will be considered vulnerable when daily income per person is US\$14 or below. In order to characterize communities as vulnerable ChangeX will use data from Household Surveys, when available for the community or from ChangeX own application data.

- population. Costa Rica's Indigenous population represents about 2.5% of the total, including the Bribri, Cabécar, and Ngäbe, often residing in remote and economically disadvantaged areas. Panama's indigenous demographic is more than 17% of the total population, including the Ngäbe-Buglé, Emberá- Wounaan, and Guna. These variations underscore the importance of addressing the distinct challenges faced by Indigenous communities in each country.
- 1.8. Historically marginalized, Indigenous communities experience heightened poverty levels, with up to 43 percent of all Indigenous population in Latin America living below the poverty line—more than twice the proportion of non-Indigenous people—while 24 percent of all Indigenous people live in extreme poverty, 2.7 times more than the proportion of non-Indigenous people³. In some countries like Panama and Guatemala, the poverty rate of Indigenous communities is around 80%⁴ and in general, Indigenous women in Central America earn 40-50% less than non-Indigenous women⁵. Engaged predominantly in agricultural activities, many indigenous individuals work in small-scale farming or as laborers on non-Indigenous-owned estates. However, access to capital and markets presents challenges for Indigenous entrepreneurs and small businesses. Climate change exacerbates existing challenges, with environmental degradation and land disputes threatening traditional livelihoods. Indigenous organizations advocate for land rights and political representation, yet indigenous enterprises in handicrafts, eco-tourism, and agriculture face market fluctuations and resource constraints. To address systemic poverty and discrimination, there is a need for inclusive development, protection of Indigenous rights, and community empowerment for sustainable socio-economic progress in the region.
- 1.9. **Small-scale farmers are vital to the agricultural sectors** of El Salvador, Honduras, Guatemala, Costa Rica, and Panama, each with its unique agricultural landscape. According to data from the Family Farming Knowledge Network from FAO⁶ in El Salvador, they constitute 82% of the producers. In Honduras, small farms account for around 56.5% of agricultural production, employing about 76% of the rural labor force. Guatemala's agricultural sector is mainly composed of small-scale farmers, with Indigenous communities representing around 75% of producers. In Costa Rica, small-scale farmers produce over 80% of the food, employing approximately 18% of the labor force. Panama's small-scale farmers contribute to diverse agricultural output, with small farms (less than 10Ha) making up about 80% of agricultural land. Despite their importance, small-scale farmers face challenges such as land access, market access, and resource constraints, highlighting the need for targeted support to enhance livelihoods and ensure food

³ The World Bank. 2015. Indigenous Latin America in the Twenty-First Century. Washington, DC: World Bank. License: Creative Commons Attribution CC BY 3.0 IGO. Available from: <https://openknowledge.worldbank.org/server/api/core/bitstreams/6346412d-691d-51a0-84cb-2052b6c53944/content>

⁴ “‘Wisdom’ of Guatemala’s Indigenous people needed for sustainable development: A UN Resident Coordinator blog.” Available from: <https://www.un.org/en/desa/%E2%80%98wisdom%E2%80%99-guatemala%E2%80%99s-indigenous-people-needed-sustainable-development-un-resident>

⁵ Economic Commission for Latin America and the Caribbean (ECLAC), Women’s autonomy in changing economic scenarios (LC/CRM.14/3), Santiago, 2019.

⁶ Food and Agriculture Organization of the United Nations. Family Farming Knowledge Network. <https://www.fao.org/family-farming/countries>

security. Poverty and income disparities are common among small-scale farmers, with a significant portion engaged in subsistence farming. Data shows that approximately two thirds of the population in the region lives in poverty in rural areas, where most small-scale farmers reside. This situation varies by country, with some having higher rates than others. For instance, in Honduras, approximately 75% of the rural population live in poverty while in Guatemala, the indicator is around 54%. Nicaragua and El Salvador both have about 47% of their rural populations living in poverty, while Panama and Costa Rica have lower rates, with 37% and 23%, respectively.⁷ Climate change exacerbates these challenges, with rising temperatures, irregular rainfall, and extreme weather events impacting crop yields and food security across the region. Urgent action is needed to implement climate-resilient agricultural practices and support mechanisms to strengthen the resilience of small-scale farmers in the face of climate change-induced challenges.

- 1.10. **Women in El Salvador, Honduras, Guatemala, Costa Rica, and Panama face unique challenges exacerbated by climate change.** Despite their significant contributions to agriculture, where they often constitute a substantial portion of the labor force, women encounter barriers such as limited access to land, markets, and resources. In El Salvador, for example, women make up approximately 26% of the agricultural labor force⁸, yet they typically earn 20-30% less than men for similar work, reflecting significant gender wage gaps. In Guatemala, Indigenous women play a crucial role in agricultural production, comprising around 80% of the agricultural labor force in some regions, yet they face discrimination and marginalization, further exacerbated by climate-related threats to their livelihoods. Climate change intensifies existing gender inequalities, with rising temperatures and erratic weather patterns affecting women's ability to sustainably manage natural resources and ensure food security for their families. Urgent action is needed to address these challenges, including implementing gender-responsive climate policies, providing access to resources and education, and promoting women's participation in decision-making processes related to climate adaptation and mitigation efforts.

II. The Innovation Proposal

A. Project Description

- 2.1 The main **project objective** is to finance proven climate change adaptation or mitigation solutions through grants to local communities, by adapting and expanding ChangeX's model to Guatemala, Honduras, El Salvador, Costa Rica, and Panama. The project will also incorporate a gender and diversity inclusion lens and would prioritize initiatives implemented in regions with a majority of economically vulnerable populations.
- 2.2 ChangeX provides a turnkey solution for investing in communities in an impactful and measurable way, that makes proven solutions and grants funding directly

⁷ The Borgen Project. "Poverty in Central America: Advancements and needs." Available from: <https://borgenproject.org/poverty-in-central-america/>

⁸ International Labour Organization (via World Bank) – processed by Our World in Data. "Employment in agriculture, female (% of female employment)." Available from: <https://ourworldindata.org/grapher/share-of-male-vs-female-employment-in-agri?country=~SLV>

available to local communities, using an innovative technology platform and continuous support processes. ChangeX links three key stakeholders to deliver its value proposition: i) donors who invest in the themes and communities they care most about, with measurable impact and at global scale; ii) Innovators who connect with community leaders, access funding to scale their ideas and impact more communities globally; and iii) Communities who get grants, resources and support to start impactful projects locally.

- 2.3 **The proposed solution of this project** is to: i) pilot funding models for the region and launch a series of Community Pools of Resources for climate action in Central America in partnership with local and international private sector donors (corporates, foundations, enterprise networks, chambers), ii) Incorporate a robust climate, gender and inclusion lens in ChangeX's systems, processes and digital platform for community-centered support and building innovation portfolios.
- 2.4 **Green Mobilization Capacity for Central America:** To make the model sustainable and scalable, ChangeX charges all donors a fee, referred to as Impact as a Service Fee (IaaS), of 10-20% of the total funds managed for marketing, administration, due diligence, and reporting, plus a one-time new region and new language fee. The ChangeX model normally requires entry tickets of at least US\$100,000 per donor, but LAC based donors usually have lower amounts of philanthropic resources available to invest. To generate inclusive ways in which more donors with smaller amounts of budgets available can contribute to the solution, ChangeX will test two models. (i) Self-serve: Allowing donors to have full hands-on management of their own community fund, the portfolio selection process, and the communication strategy. They will manage everything directly through the ChangeX platform for a lower and more accessible fee (compared to the standard ChangeX Impact as a Service fee of 20%). This also makes the model feasible for ChangeX as it will require lower time investments and creates an opportunity for green innovators to promote the ChangeX platform with their current or future donors as a way to help them scale their model directly. (ii) Collaborative Community Funds, where multiple donors can come together to co-fund in a particular region around a particular theme, reducing the amount that each donor is required to contribute.
- 2.5 The process of expanding ChangeX Green Funding mobilization includes implementing a user research process to understand the improvements needed to enable new funding models relevant to the region, including developing platform features to enable more self-serve/collaborative models. Also, a dedicated business development team will identify, contact, and manage the relationships with new potential donors with a diverse mix from Latin America and the Caribbean, USA, and Europe, who are interested in investing in the target countries to achieve the impact of the project. ChangeX representatives will also actively attend key regional events like the Latin American Impact Investment Forum for Central America and the Caribbean (FLII CA&C) or the Central American Donors Forum (CADF), among others, to amplify the positioning and networking with key actors.
- 2.6 **Inclusive community-centered support:** The ChangeX model is based on the activation of local community teams to achieve sustainable change, and principles of community-led development are key to the proposal as communities need to be at the heart of the sustainable transition, engaging with and benefitting from innovations that drive change, for climate and environment, but also for equity,

equality, and inclusivity. Community leaders from informal groups or different types of organizations (NGOs, foundations, associations, etc.) endorsed by the group or institution they represent can apply to start the proven solutions they see as most relevant for their local setting, and they are directly connected to the innovator behind the idea and receive all relevant resources to ensure the effectiveness and sustainability of their project. During the application process, community leaders must demonstrate the idea is supported by the other members of the community and that prior consent to implement the activities is obtained. Grant amounts will range from US\$2,000 - US\$25,000. A detailed research in Costa Rica, El Salvador, Guatemala, Honduras, and Panama will determine the most agile and cost-efficient way in which Change X can operationally distribute grant finance to the target populations and the types of individuals or organizations that can receive funding directly per country according to local regulations.

2.7 To ensure inclusion of poor or vulnerable populations, Change X follows a strategy that combines: i) collaboration with local leaders and organizations called "amplifiers"⁹ who have knowledge of the local context and its actors and act as ambassadors to ensure that the opportunity reaches those who need it directly, ii) leveraging technology to delimit the geographical areas from which the system accepts applications and designing a simple application process, iii) use of digital channels to reach the younger population that is more used to using technological tools.¹⁰ The technical files include a list of organizations in the countries of the project that have shown capacity and track record to partner with ChangeX and create synergies during implementation.

2.8 **To obtain climate results, ChangeX will integrate a green lens into the existing selection and award granting process.** In order to receive the grant funding, teams go through a rigorous due-diligence process and receive real time, locally relevant support. This will be done in coordination with other IDB funded projects since several studies have already been conducted and platforms/mechanisms were/are being designed with the same objectives of inclusion and transparency. Projects applicants will receive the first payment (70% of total grant funding amount) upon successful completion of a 30 Day Challenge on the ChangeX website, where they will have to demonstrate their commitment and ability to start or expand a project, including scheduling a 15 min

⁹ Examples of organizations that have been pre-identified leveraging IDB's network include (i) Fundación Mar Viva and ACP- Autoridad del Canal de Panamá around the sustainable use and protection of water and marine resources in Panama; for foodsystems topic, the District Agro Ecological Innovation Committees, local governance bodies established by the Institute of Agricultural Innovation in the 21 districts of implementation of the Sustainable and Inclusive Agricultural Innovation Project PN-L1166 (ii) Universidad EARTH and Fundecooperación in Costa Rica around the sub-topic of Food systems. (iii) In Honduras, Red COMAL around the sub-topic of agroforestry or PRECAST S.A., on Circular Economy. (iv). MAG and ACCESO in El Salvador around climate adaptation and mitigation in general (v) WWF, MAR Fund and Remarco around the sustainable use and protection of water and marine resources and Biorgani, Agrocompostgt and Bioearth around Nature-based solutions in Guatemala.

¹⁰ ChangeX has had previous experience working with leaders of poor and vulnerable populations in Latam. In the South of Mexico Indigenous and smallholders organizations successfully applied and implemented 18 projects for a total of 4,225 beneficiaries. Also in Brazil, leaders of the Paiter Suruí Indigenous community in the Amazon have successfully implemented and adapted projects benefiting 320 community members out of a total population of 1,900.

support call with a ChangeX team member, having at least 5 people leading the project team registered on the platform, sharing a photo of a team meeting and providing a narrative on what they will spend the funding on, next steps as a group, and how they hope the project will ultimately benefit the community. The second payment (30% of total grant funding) will be issued after the community team completes a survey between three to six months after, demonstrating the outcomes of the project, including receipts of expenditures, and sharing photos that show the project is up and running and having the intended benefits and results.

- 2.9 **With this project, ChangeX will tailor the program to ensure accessibility to Indigenous communities and women.** User research will be conducted by external experts at the beginning of the project by gathering lessons learned and best practices from IDB and selected “amplifier” partner organizations, to determine the communication and support process adaptations needed and the required ChangeX platform improvements that should be developed to meet them. Also, a specific study will be conducted to understand how to better achieve the incorporation of gender variables in communication strategies and monitoring systems. Supported by a network of amplifiers, organizations with first-hand connections inside the local contexts, ChangeX will create a series of general communication campaigns and particular campaigns directed to Indigenous communities (with cultural pertinence) and women. Materials for the communication campaign will incorporate printed fliers or others determined for best reaching the target groups and those in more isolated areas.
- 2.10 The existing ChangeX platform will also be tailored, tested, and deployed to best cater to the needs of local communities in the Central American context identified, with a special focus on adapting to the needs of Indigenous population and women identified in the research studies implemented. There will be several developments of the ChangeX Platform functionality and experience, including enhancement to the design of product flows and interfaces for intuitive experience, including specific features such as accessibility without internet connectivity or front-end developments.
- 2.11 **Building and promoting proven green solutions portfolio:** ChangeX will build a relevant portfolio of innovative proven green solutions focused on the specific sub-topics that can be activated in the local contexts and will work with a network of innovators to package their solutions. These solutions should be simple for feasible replication by the target community teams according to their own capacities and context, adaptable to different regions/countries, evidence-based with demonstrated results in a 3-6 month period in similar target populations, and supported by an organization that has a proven capacity to deliver, as they will need to provide non intensive technical support to the communities replicating them. ChangeX will research and identify the most relevant green proven solutions from across the LAC region and around the world, building upon recommendations by key organizations working directly with the innovators. A target has been set to secure at least 70% of the partnering innovators from the LAC region during project implementation. Also, while Indigenous communities have been defined as a beneficiary target segment, the project also recognizes that Indigenous people are key guardians of ancestral knowledge and resource management practices of nature-based solutions that have the potential to

support net zero ambitions and adaptation to climate change¹¹. Thus, ChangeX's search for proven green solutions will include outreach to relevant Indigenous peoples organizations. ChangeX will implement a specific evaluation process for selecting the green solutions that will be added to the portfolio of proven solutions available for communities to replicate. When possible, ChangeX would prioritize solutions that could increase economically vulnerable beneficiaries' net incomes or decrease their expenses.

- 2.12 The sub-topics of each community fund is normally directly determined with the specific fund partners based on the understanding of the needs of the communities in each target region and the impact objectives of the donors. The project acknowledges that Central America requires more emphasis on adaptation efforts and the main sub-topics that have been pre-identified are: i) Protection and Restoration of Biodiversity and Ecosystems (nature based solutions, agroforestry, silvopastoralism, regenerative agriculture and livestock, climate-smart agriculture etc), ii) Sustainable use and protection of water and marine resources, iii) Transition to circular economy, aligned with the The EU Taxonomy¹². The importance of helping scale proven solutions that at the same time help vulnerable communities generate income sustainably is also identified as a key important differential factor for the project. ChangeX has experience in supporting this kind of solutions, including methodologies for training over 1,000 small farmers in Southern Mexico to incorporate sustainable production practices; or the implementation of Precious Plastic Workspaces in Brazil for turning plastic waste into valuable materials that generate income sustainably.
- 2.13 Each of the proven solutions in the relevant sub-topics will be packaged, which means they will be added to the ChangeX platform in a specific format that in a very interactive and simple way will help communities learn all the key details they need to know before deciding to apply, including what it is, the approximate time they will need to execute, the type of expenditures they need to make, and a 5 step-guide of how to implement. ChangeX provides the applicants with simple tools for design and planning of the idea and have a one on one call with every one of them to clarify any question. Community teams that are then successfully allocated funding, will be connected to the innovator behind the idea and receive all relevant resources to ensure the effectiveness and sustainability of their project. Support for implementation will be provided directly by the innovators with varying degrees of involvement, according to needs. Support may include virtual sessions, how to guides or in-person visits and training in the case of innovations that have an infrastructure component. As the selected green proven solutions are replicated in the different countries, ChangeX will work closely with the innovators to capture learnings and experiences as projects scale, and will design and develop specific knowledge products to share the identified learnings with outside audiences, with the aim of spreading the knowledge about the adoption of climate adaptation and/ mitigation proven solutions in practice, led by local communities, particularly indigenous and women.

¹¹ Forests located in Indigenous territories, in general, have been better conserved than other forests in Latin America and the Caribbean, as evidenced by lower net carbon emissions according to FAO y FILAC 2021. <https://doi.org/10.4060/cb2953es>

¹² <https://ec.europa.eu/sustainable-finance-taxonomy/>

- 2.14 **Monitoring, Evaluation and Learning:** Impact measurement is at the core of ChangeX's model and platform where the activity & metrics of all projects are tracked and stored. ChangeX will tailor its internal systems to better monitor environmental and socioeconomic impact performance with a specific focus on climate mitigation/adaptation outputs, diversity, and gender. The key outcomes of each of the community projects will be measured through the ChangeX Impact Dashboard or by the completion of an impact survey, including metrics such as number of participants in the project, number of participants from Indigenous population or women, among others. General environmental indicators and specific indicators to measure climate related impact per each of the prioritized sub-topics will be defined by a Climate Specialist, with direct inputs from the environmental innovators behind the proven solutions and IDB know-how transfer facilitated with the Climate Change and Sustainability (CCS) division on monitoring and impact indicators (component 3) related to biodiversity conservation and with the RND division for agriculture-related project indicators. These could include parameters such as tons of CO₂e emissions reduced or avoided, hectares conserved or sustainably managed, size and population trends of specific species, or waste recycled, waste diverted from landfills.

B. Project beneficiaries

- 2.15 **Community Leaders:** The goal of the project is to have 500 Community Leaders applying to execute projects in their communities, with at least 231 of them being women and 84 from Indigenous populations. 200 Community Leaders in total are expected to successfully complete the process and access funding. Community leaders, individuals or representatives of organizations that work at a community level, come to ChangeX for proven ideas and funding to start impactful projects in their communities. They self-identify and are recognized by local communities as leaders, having a track record and capability to mobilize the community, which is tested in action during the "30 day challenge". They are constantly solving day to day practical challenges of their initiatives and are consistently looking for ways to access resources to facilitate their work and implement new methodologies for implementing impactful solutions in their communities.
- 2.16 **Community team members:** The goal of the project is to have 1,000 Community Team Members implementing the funded green projects to adopt climate mitigation and/or adaptation proven solutions/projects by local communities in Costa Rica, El Salvador, Guatemala, Honduras, and Panama, with at least 345 of them being women and 180 from Indigenous populations. Community team members are responsible for designing, planning, and implementing green impact projects. Team members are invited by the community leader (i.e., applicant) to form the team that will design, plan, and execute the project. A project team is composed of a minimum of 5 members (i.e., the community leader and at least 4 team members), and its formation is one of the requirements for a project to be selected. In other words, a community leader cannot design, plan, and implement a project on his or her own.
- 2.17 **Community participants:** The goal of the project is to have 7,500 Community participants directly benefiting from the activities to implement the green proven solutions in their communities, with at least 3,375 of them being women and 1,875 from Indigenous populations. Community participants are people who actively take part in the funded green impact projects. This includes project team members, and people who participated in the organization and/or implementation

of activities and events that are organized to replicate the selected proven solution.

2.18 **Green innovators:** The goal is to partner with at least 20 green innovators to package their solutions¹³. The systemic approach of the solution will also directly benefit the innovators behind the proven solutions around climate adaptation and/or mitigation that will be showcased on the ChangeX platform and replicated by the communities, providing them funding per replication and a way to build demand and scale their ideas through ChangeX to reach new populations and geographies that might have not been possible otherwise.

2.19 **Indirect Community Beneficiaries:** Total population of the communities where the grant projects are implemented who will be affected by and benefit from the climate adaptation and/or mitigation projects.

C. Innovation

2.20 The project is innovative because it offers a comprehensive and accessible solution to the problem of slow dissemination of funding and proven solutions for climate adaptation and mitigation into local communities in Central America. By serving as a centralized platform for identifying, scaling, and financing proven solutions, ChangeX streamlines the process of accessing funding and support for communities and provides a user-friendly interface for both donors, innovators, and local communities, simplifying the communication, awarding, and monitoring of resources. By facilitating grants directly to local communities and designing green innovation portfolios tailored to the targeted countries and specific themes, the project promotes efficient resource allocation and ensures that the most relevant and impactful proven solutions are implemented where they are most needed, addressing climate change challenges more effectively. The project will also multiply opportunities for participation of Indigenous communities and women through adaptations to the processes and tech platform tailored to meet their specific needs.

2.21 ChangeX will innovate its sustainability model by developing the Impact as a Service model, which is crucial for partnering with funding partners in the long term, enhancing the sustainability and scalability of the solution. Further development will be made to the model during the program with the piloting of funding models to mobilize more international and regional actors with smaller entry tickets towards community led green projects and expanding the capacity of the communities to collect green impact data from their projects through the development of an impact monitoring system for climate, diversity and gender indicators, to help demonstrate the impact created to all stakeholders. This will include the ability to measure socioeconomic variables of the projects and demonstrate the inclusion of poor and vulnerable communities.

2.22 There are some existing solutions that provide access to grant finance to climate change adaptation and mitigation in Central America, like the Global Environment Facility (GEF), which provides grants for initiatives focusing on biodiversity conservation, sustainable land management, and climate change mitigation, the Green Climate Fund (GCF), which offers financial support for projects that promote low-emission and climate-resilient development in vulnerable countries,

¹³ Meaning of “packaging” explained in 2.12.

including those in Central America or HeCo Leticia Platform Pilot, a digital collaborative platform aimed to support filling the conservation financing gap in the Amazon Basin by optimizing project financing channels in this region. Some of the key differences identified between the ChangeX model and these initiatives are that they do not offer proven existing climate adaptation and mitigation solutions that communities can easily choose from. Also, their funding mechanisms require specialized knowledge of their processes, making it difficult for small community-based organizations to access the resources directly, as they often face challenges in navigating the application and meeting the requirements for funding. ChangeX has the advantage of having developed an approach of empowering local communities to implement and scale proven solutions innovations through a user-friendly digital platform and provides them with direct funding to do so. ChangeX model innovations have not been evaluated yet by a third party. However, a study made to over 14 cutting edge platforms for good called “Leveraging Platforms for the Good of All: Insights From Leading Social Entrepreneurs”¹⁴ determines that applying design principles for shaping the strategy like a platform could be incredibly helpful for organizations to achieve impact at scale. Some of these principles are also applied in the ChangeX model, including distributing the ability to solve problems, empowering local stakeholders with data and knowledge, and cultivating change offline.

- 2.23 **Ethical and responsible use of technology and data.** The project will respect the Principles for Digital development promoted by the IDB and other international development organizations for the contributions in new adaptations of the Change X platform encompassed in Component 3 of the project.
- 2.24 **Component I: Activate and Impact Central American Communities. (IDB Lab Contribution US\$233,893 NRTC, ChangeX US\$991,265).** The objective of this component is to facilitate the effective communication, allocation, and monitoring of resources, funds, and support to local communities in targeted countries for the implementation of proven solutions aimed at climate mitigation or adaptation. By ensuring clear communication channels, transparent award processes, and robust monitoring mechanisms, the goal is to empower communities to access and utilize resources efficiently, implement climate solutions effectively, and track progress towards achieving desired outcomes. This component aims to foster community ownership, accountability, and sustainability in climate action efforts, ultimately contributing to resilience and positive environmental impact at the local level.
- 2.25 To achieve the objective of the component, the EA will implement the following activities: (i) *Outreach Campaigns to communities:* Build network of amplifiers in the region, with a special focus on women and indigenous groups, to support outreach to communities; design and implement communication campaigns, incorporating a specific focus on women and indigenous groups for the community funds and general campaigns to position ChangeX in the region, execute marketing investment in paid ads for the Community Funds and provide strategic senior support for campaigns design and implementation from the ChangeX Comms Lead. (ii) *Grant Funding to Communities:* Determine specific

¹⁴ “Leveraging Platforms for the Good of All: Insights From Leading Social Entrepreneurs.” Co-authored by Irina Snissar Lobo, Maria Zapata, and Erlijn Sie. Retrieved on 06/05/24 from <https://aspire.ashoka.org/files/leveraging-platforms-good-all-aspirepdf>

legal and financial advice per country for funding distribution; distribute community Funds directly into the communities, cover the transaction costs for transferring the funding; implement community support processes for pilot community fund & subsequent funds; provide strategic senior support from Community Success Lead to the overall community success processes implemented. (iii) *Monitoring of Community Projects*: Implement monitoring processes for the community funds, provide senior support from ChangeX Monitoring, Evaluation, and Learning Lead to enhance the effectiveness of the monitoring process and support continuous learning and improvement.

- 2.26 The main expected results of this component are: (i) 60 ChangeX ads/PR campaigns, by the end of the period. (ii) 30 ChangeX ads/PR campaigns targeted at female community leaders. (iii) 18 ChangeX ads/PR campaigns targeted at Indigenous community leaders. (iv) 42,000 people reached with marketing & communications about the programme, funds launched and impact stories. (v) 6 Funds launched in the 5 targeted countries. (vi) 500 Community leaders who apply to start a proven climate adaptation and mitigation solution/project in the 5 targeted countries. (vii) 231 Community leaders who apply are women. (viii) 84 Community leaders who apply are Indigenous. (viii) US\$1,000,000 direct funding awarded to local communities to implement proven climate adaptation and/or mitigation solutions/projects.
- 2.27 **Component II: Green Innovation Portfolios (IDB Lab Contribution US\$86,012 NRTC, ChangeX US\$30,642)**. The objective of this component is to develop a curated collection of environmentally sustainable ideas tailored to the targeted countries, which can be easily replicated by local communities in other geographic regions. By identifying and selecting innovative green solutions, adapting them to local contexts, and packaging them in accessible formats, the goal is to empower communities to address climate adaptation and/or mitigation challenges effectively. This portfolio aims to provide practical guidance and resources for implementing sustainable practices, fostering broader adoption of green innovations, and promoting environmental stewardship across diverse communities and geographies. The portfolio of green solutions will be tailored to the unique needs and perspectives of communities in the targeted Central America countries, including Indigenous populations and women.
- 2.28 In order to achieve the objective of the component, the EA will implement the following activities: (i) Build a portfolio of proven solutions relevant to the geographic and green thematic context: build networks with Green innovation ecosystems in the region; research potential green solutions adaptable to the region, execute evaluation process for adding green solutions into the portfolio. (ii) Package and Localize the Portfolio of Green Solutions: Package and localize the portfolio of solutions so that they are relevant and actionable in the local context. (iii) Work closely with innovators to capture learnings and experiences as projects scale: capture learnings and experiences implementing the proven green solutions; design knowledge products to share learnings with external audiences.
- 2.29 The expected results are: (i) 20 proven solutions packaged and localized by ChangeX to be included in the programme, and tailored to the targeted regions, including 14 of them developed by green innovators in Latin America. (ii) Development of a standardized system to select and score green proven solutions that are most relevant for climate adaptation or mitigation in the region

- 2.30 **Component III: Green Impact Capacity of ChangeX (IDB Lab Contribution US\$642,000 CRIG, ChangeX US\$86,264).** The objective of this component is to strengthen green innovation capacity within the ChangeX platform to address the specific needs of Central America. This involves tailoring the platform to the region's specific needs by improving accessibility, incorporating local knowledge, and optimizing user interface. It also includes enhancing ChangeX's capacity for mobilization of local and international donors, in order to secure financial support needed for the replication of climate mitigation and adaptation solutions directly led by local communities. Additionally, the establishment of an impact monitoring system will track the effectiveness of climate, diversity, and gender-related initiatives. By monitoring and analyzing data on these key indicators, ChangeX will better understand the outcomes of its initiatives and make informed decisions for future programming and resource allocation.
- 2.31 In order to achieve the objective of the component, the EA will implement the following activities: Component 3: (i) *Green Funding Mobilization*: To implement user research to understand the improvements needed to enable new funding models relevant to the region (i.e. collaborative funds, self-serve); define, train and support a dedicated team in charge of mobilizing local and international donors in Latam; attendance of key regional events for connecting with donors; develop platform features to enable more self-serve/collaborative models. (ii) *Climate and geographic specialized expertise in Central America*: User research consultancy to understand the needs of indigenous communities and determine communication and support processes adaptations needed and required platform improvements to meet them; implementation of an external consultancy around incorporation of diversity and gender variables in communication strategies and monitoring systems; implementation of external consultancy to measure to determine entry points for socio-economic data and measurement strategies for integrating poor and vulnerable dimension into scoring criteria and monitoring systems; development of ChangeX Platform functionality and experience to meet Central America community needs, with a particular focus on indigenous communities and women, including enhancement to design of product flows and interfaces for intuitive experience; develop systems to score and monitor impact performance with an specific focus on climate mitigation/adaptation outputs; strategic tech overseeing from ChangeX senior team.
- 2.32 The expected results are: (i) ChangeX platform made more accessible to the needs of Central America's context. (ii) Establish an impact monitoring system for climate, diversity, and gender indicators. (iii) At least US\$262,500 mobilized from donors from Central America, corresponding to 30% of the total funding raised by ChangeX to be awarded to communities during the project period. (iv) At least US\$2 million in funding with signed agreements from international and local partners to finance climate mitigation and adaptation solutions in the 5 targeted countries.

D. Project Results, Measurement, Monitoring and Evaluation

- 2.33 The EA will be responsible for collecting the data and reporting on results and achievements as per the results matrix of the project. The EA will develop a monitoring plan at the start of the project to ensure tracking and measuring of indicators. Additionally, the EA will report to the Bank every six months through a Project Status Report (PSR) and submit a Final PSR on the project's outcomes after the project is completed.

- 2.34 The **key project outcome indicators** are: (i) 200 climate mitigation and/or adaptation proven solutions/projects adopted by local communities in Costa Rica, El Salvador, Guatemala, Honduras, and Panama, with 50% of them implemented in regions with a majority of vulnerable population. (ii) 150 Funded community teams reporting on green impact. (iii) 1,000 Community team members of funded green impact teams/projects, including: 345 community team members who are women and 180 community team members who are Indigenous. (iv) 7,500 Community participants in funded green impact projects, including: 3,375 Community participants who are women, 1,875 Community participants who are Indigenous. Therefore, the project is consistent with the Corporate Results Framework 2020-2023 (document GN-2727-12) by directly aligning and contributing with the strategic level indicators of projects supporting gender equality and diversity and climate change adaptation and/or mitigation.
- 2.35 The planned **monitoring and evaluation** activities are key to track progress, measure results, and ensure accountability. **Monitoring activities** will be led by a Climate Specialist and will be supported by the current ChangeX Monitoring, Evaluation and Learning Lead. Most of the information will come from: (i) ChangeX Impact Dashboard: multiple metrics related to the type and progress of each project and main results indicators of the program will be available through the ChangeX platform. This data will be available in real time and can be downloaded or exported from the backend. The impact monitoring system will be improved to add climate, diversity, and gender indicators to collect data on the project's broader impacts. This system will enable communities to track changes in climate resilience, biodiversity conservation, and gender equality over time. (ii) Surveys: automated surveys that community teams are required to complete to unlock the second installment of project funding, with the aim of measuring and evaluating the quantitative and qualitative impact of the community projects. (iii). Analytics: ChangeX will set up analytics to measure how target audiences are responding via analytics on the ChangeX website. The sources of information are all website visitors to the ChangeX site and all people who apply to a Community Fund. (iv) Reports from partners: ChangeX may use reports from distribution partners related to the reach and engagement of the target audience, including anyone reached with the marketing outreach.
- 2.36 Fast **feedback loops** are built into the product and model including (i) Live Dashboard: Live notifications about key results in the ChangeX dashboard, linked to automatic notification of applications that enable quick decision making process from the Changex team. (ii) Automatic user experience surveys sent to Community Leaders around their user experience on the platform that are incorporated in the periodical reviews and analysis made by the Community Success team lead. (iii) Constant open communication channels with Community Team Leaders via WhatsApp, e-mail and a virtual chatbot, with agile response times and unified data storage systems to be able to track suggestions. (iv) Periodical learning spaces with the environmental innovators by the Climate Specialist, with the support of the Global Innovations Lead at ChangeX to identify their main needs and insights from the process. (v) Monthly All team Retrospective of the ChangeX team to identify key barriers and opportunities in the execution. Moreover, specific user research will be conducted with potential Community Team members and donors to identify early on in the process the more specific needs of these stakeholders in Central America. All the feedback

will inform iterative improvements of the ChangeX model in the region, which will be reviewed on a quarterly basis to evaluate changes needed to the project plan.

- 2.37 The budget allocated is sufficient for the implementation of monitoring activities, fast feedback loops processes and a final evaluation. Project outputs and outcomes will be reported periodically through the **Project Status Report System (PSR)** and all projects will report on results achieved through a Final PSR. A provision has been made in the budget for a potential final evaluation implemented by a third party in year 3 of the project. The decision on whether to conduct the final evaluation will be made based on IDB Lab's assessment of project performance. The evaluation would assess the extent to which project objectives were achieved, identify factors contributing to success or challenges faced, and provide recommendations for future programming. It would involve rigorous data analysis and synthesis of findings from multiple sources. The evaluation would involve stakeholders at various levels and may include qualitative interviews, quantitative surveys, and documents review.

III. Alignment with IDB Group, Scalability, and Risks

A. Alignment with IDB Group

- 3.1. The project is aligned with the IDB country strategy in Panama 2021-2024 (GN-3055), Guatemala 2021-2024, Costa Rica 2019-2022 (GN-2977), El Salvador 2021-2024 and Honduras 2019-2022 (GN-2944). A crosscutting priority of these strategies is reactivating and diversifying productive activity with criteria of increasing resilience and adaptation to climate change, as well as integrating a gender and diversity lens. At the same time, the IDB Group is working on the program **America at the Center for the CID region**, where climate adaptation and resilience is one of the three pillars of the strategy. The project would contribute to the activity of sustainable management of biodiversity and natural assets with grants that support sustainable living practices of Indigenous communities and restoring and protecting forests, mangroves, and wetlands, among others.
- 3.2. The project will also generate synergies and coordinate implementation with operations financed by IDB Group that promote climate change adaptation and resilience in Panama, El Salvador, Honduras, and Guatemala. The project team will establish an ex-ante and ex-post coordination protocol with CTI specialists in each country of the project, to ensure flow of information between the Executing Agency and CTI-supported initiatives that are piloting or financing similar social innovations. This coordination will start with operations in Honduras (HO-T1400 Promoting innovation and research in strategic sectors of Honduras) and Panama (PN-L1183 Innovation for Closing Gaps) with a joint ex-ante analysis of the communities and topics mapped by CTI Initiatives to inform geographical focus and target audiences for dissemination of ChangeX calls for proposals, and ex-post, to promote synergies regarding the innovative solutions presented to communities. The project will align in the geographical focus and complement the operations presented below from the Environment, Rural Development and Disaster Risk Management (RND) division of IDB Public by bringing a portfolio of proven climate adaptation solutions and grant funding from the private sector into communities as a means to contribute to the challenge of mapping and scaling

existing innovations across regional and country frontiers through a model of small scale replications.

Country	Project Number and Name	Theme	Geographic Cluster
GUATEMALA	GU-L1165/GU-G1005 Sustainable Forest Management Project	Agroforestry Systems and Silvopastoral systems	Dry Corridor and Border with Mexico
	GU-G1015 Conservation and Sustainable Management of the Dry Forest Landscape	Agroforestry	
	GU-T1346 Strengthening Value Chains and Local Enterprises in San Mateo Ixtatán	Agroforestry	
	RG-T4139 Climate-Resilient Production Models for Livelihood Improvement (SAP Code)	Climate-smart agriculture	
	RG-T4297 Promotion of Better Climate Change Governance through Nature-Based Solutions in Latin America and the Caribbean	Agro-sustainable Landscapes	
	GU-T1331 Support for Agroforestry Sector Activities in Guatemala's Nationally Determined Contribution	Agroforestry	
PANAMA	PN-L1166 Sustainable and Inclusive Agricultural Innovation Project	Agroforestry	21 districts across the country, 13 of which have a significant Indigenous population.
EL SALVADOR	ES-L1135 Strengthening Climate Resilience of Coffee Forests	Agroforestry	6 coffee-producing mountain ranges throughout the country
	ES-T1346/ES-G1006 Greenhouses 2.0: Technology Adoption and Innovation for Smallholder Farmers in El Salvador	Climate-smart agriculture	400 smallholder farmers from departments of Santa Ana, Ahuachapán, Sonsonate, Chalatenango, La Libertad, San

			Salvador, and La Paz.
HONDURAS	HO-L1200/HO-G1252 Restoration of Climate-Resilient Forests and Silviculture for Ecosystem Services Sustainability	Agroforestry	Forests in central, central-northern, central-southern departments, bordering Nicaragua.
	HO-L1179 Sustainable Forest Management	Agroforestry	
	HO-L1201/HO-L1211 Integrated Rural Development and Productivity Project	Climate-smart agriculture	Dry Corridor
	HO-G1261 Adoption of Climate-Smart Technologies in Women-Led Agricultural MSMEs	Climate-smart agriculture	

- 3.3. This project exemplifies IDB Lab’s role as the climate accelerator for the IDB Group supporting the creation and spread of the next generation of climate solutions and development of a climate-oriented innovation ecosystem with an inclusive lens. The project complements **IDB Lab’s Green Engine** innovative green financing vehicles through its focus in Central America, target beneficiaries of community projects, and focus on scaling early-stage innovations at community level through replication.
- 3.4. Approximately **100% of the total IDB funding** for this project is **invested in climate change dual mitigation and adaptation** activities according to the [joint MDB approach on climate finance tracking](#), since this is an enabling environment project focused on a climate objective (i.e. “Finance proven climate adaptation and mitigation solutions through grants to local communities, by adapting and expanding ChangeX’s model to Costa Rica, El Salvador, Guatemala, Honduras and Panama”). This contributes to the IDB Group’s goal of increasing the financing of projects related to climate change to 30% of total approvals by the end of 2023.
- 3.5. **Alignment with the Paris Agreement.** The project also contributes to the national strategy for adaptation to climate change and to the indicators proposed in Panama’s, Costa Rica’s, El Salvador’s, Guatemala’s and Honduras’s Nationally Determined Contributions documents, specifically in the main project objective: climate adaptation or mitigation solutions; with emphasis on adaptation efforts and the main sub-topics that have been pre-identified: i) Protection and Restoration of Biodiversity and Ecosystems (nature based solutions, agroforestry, silvopastoralism, agroecology, regenerative agriculture, climate-smart agriculture etc), ii) Sustainable use and protection of water and marine resources, and iii) Transition to circular economy.

- 3.6. The project is also aligned with the following Sustainable Development Goals (SDGs) articulated by the United Nations General Assembly: SDG 10 Reducing inequality; SDG 13 Climate Action; and SDG 15 Life on Land. The sub indicator that the project aligns with in SDG 10 is 10.2 (by 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status). Moreover, the sub indicators that the project aligns with in SDG 13 are 13.1 (strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries) and 13.B (promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities). Last, the sub indicators that the project aligns with in SDG 15 are 15.2 (by 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally), 15.5 (take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species), 15.A (mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems) and 15.B (mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation).

B. Additionality and Scalability

- 3.7. IDB Lab's long trajectory of working in the Central America region at the intersection of innovation and inclusion¹⁵, and introducing global models, makes it a strong partner to support the adaptation of ChangeX's offer to the needs of the five countries of the project. IDB Lab's non-financial additionality will be to facilitate: i) connections with local networks of climate entrepreneurs and innovators including those supported by IDB Lab's Clean Tech Innovation Facility (RG-T4138) or other programs in the region like [Climathon](#), ii) exchange of lessons learned with platform efforts from IDB Group such as [HeCo](#). iii) know-how transfer together with the Climate Change and Sustainability (CSC) division on monitoring and impact indicators (component 3) related to biodiversity conservation and with the RND for agriculture indicators, and iv) connection with RND projects and actors in the region working at community level with agroforestry, agroecology and related thematics.
- 3.8. Actions to scale will start during the project to engage key stakeholders: donors, networks of green innovation actors and organizations with broad community reach. A small scale pilot will be implemented in the first year with IDB Lab's contribution to demonstrate the impact and the value of the impact as a service model for donors. ChangeX will then generate knowledge products that will be used in business development to encourage other international donors and appropriation by local private donors to channel their community grant resources for climate action through ChangeX. Specific annual fundraising targets have been defined to reach US\$1 million in signed agreements to deploy in the life of the project and an additional US\$1 million to continue activities right after the end

¹⁵ An agenda not covered by traditional financing institutions or the private sector.

of the project in year 4 (Output 3.5 in results matrix). ChangeX will make strong outreach efforts to create relationships and engage networks of green innovation actors and organizations with broad community reach throughout implementation and continue to grow these connections thereafter.

- 3.9. ChangeX will directly scale the model with the vision to distribute up to USD \$8 million in community grants by 2030 (three years after project conclusion) to replicate 60 packaged proven solutions in over 1,600 community projects in Latin America, to more communities in geographic areas in the same five countries in Central America and to other countries in Latin America where ChangeX already has operations: Mexico, Colombia and Brazil, around the core issues of climate adaptation and mitigation, directly impacting nearly 500,000 people. Private sector donors will be key in this process, starting with current donors who already support the growth of proven environmental solutions in the region such as Service Now, Microsoft and AWS. Strengthening partnerships with key organizations that group both potential new donors and/or innovators at a regional level such as Latimacto, ANDE network, Impact Hub, Climate Kick or Catalyst 2030 will be crucial for helping ChangeX achieve the growth goals. The estimated current operational cost for ChangeX per community project/proven solution implemented is US\$350 and is estimated that it will grow into up to US\$500 per project until 2030, with an average amount of community participants per project of 50 and 5 team members each.

C. Project and Institutional Risks

- 3.10. The project team, with the assistance of OII, conducted integrity due diligence on the Project and no elevated integrity or related reputational risks were identified for IDB Lab. The risk level of the project was rated as medium-high. The main risks linked to the project are operational and political. These risks are described below and were classified in Annex VIII using the Risk Analysis tool. The risks identified in the annex will require semi-annual updates to the PSR from the Team Leader.
- 3.11. **Low local engagement:** If the ChangeX communication of the value proposition for communities and innovators does not fit the local culture, the project will not be able to build the intended demand for climate adaptation solutions thus affecting the overall results of the project. **Mitigation:** Thorough market research and feedback prior to the first pilot fund from local partners and IDB Group relevant division experts (RND, CSC) to select the geographic focus with highest potential demand and/or complementarity to existing efforts. Ensure flexibility to move funds from low demand regions to higher demand if needed.
- 3.12. **New Market Entry:** If ChangeX is not able to build the reputation and trust with the local communities in the 1st year of the project, the project may not reach the results of component 1 (grants to communities) and component 2 (build portfolio of green innovations). **Mitigation:** create strong relations with local networks, storytelling of successful cases.
- 3.13. **Quality of community projects:** If community projects do not sustain activities over the time needed to reach the environmental impact intended, the project will not attain the results of Outcome 2. **Mitigation:** During portfolio selection, prioritize innovations with low ongoing running costs. Provide suggestions & support for communities sourcing additional financing where required. Designing

a due diligence process that is relevant to the specific beneficiaries of the project and specific innovation (minimum track record, capacity)

- 3.14. **Funding targets:** If targeted funding partners do not materialize their interest or disburse the funding commitment by end of year 2, the project would not reach the intended number of green community projects (Outcome 1). **Mitigation:** Expand the local business development team to ensure that the pipeline and deals are closed as planned, management to continuously monitor performance and take timely corrective actions.
- 3.15. **Country Context Changes:** If the security situation in selected countries deteriorates over time or an unpredictable natural event occurs that presents an unmanageable risk to local partners and community beneficiaries, the project would be suspended temporarily or permanently in the affected area. **Mitigation:** Work with local partners who are able to inform of relevant changes in the political, social, or economic climate of each region. Create contingency plans to delay or suspend expansion or launches while still allowing to reach agreed upon impact goals, moving funds to other locations where necessary.

IV. Instrument and Budget Proposal

- 4.1. The project has a total cost of US\$2,300,000 out of which US\$1,150,000 (50%) will be provided by IDB Lab, and US\$1,150,000 (50%) by ChangeX United States, Inc. IDB Lab funding includes an NRTC of US\$500,000 and a CRIG of US\$650,000. The project will be open for additional contributions from external donors if these donors accept the conditions outlined in this document or any other conditions established by the IDB. The approval of these resources will follow IDB procedures.
- 4.2. The project includes a contingent recovery investment grant since the business model implemented by ChangeX United States, Inc could generate a repayment capacity if the targets identified during elaboration of the Project are fulfilled; however, since the likelihood of meeting said targets is low, this operation includes a contingent recovery investment grant instead of a loan. In addition, since the main objective considered when designing this project is the impact objective, the project can be considered successful even in case of lack of repayment of the contingent recovery investment grant as a result of not meeting the targets.
- 4.3. **Retroactive recognition of counterpart funds.** Counterpart funding of up to US\$172,500 (15%) may be recognized as of February 22, 2024, the project eligibility date.

Summary Budget (US\$)

Project Components	IDB Lab NRTC RG- T4467	IDB Lab CRIG RG-G1063	Counterpart		Total
			In Kind	In Cash	
Component 1: Active and Impactful Central America Communities	233,893	-	54,265	937,000	1,225,158
Component 2: Green Innovation Portfolios	86,012	-	30,642	-	116,654
Component 3: Green Impact Capacity of ChangeX	-	642,000	86,234	-	728,234
Operational Costs	148,095	8,000	41,859	-	197,954
Evaluations, Audits and Contingencies	32,000	-	-	-	32,000
Total	500,000	650,000	213,000	937,000	2,300,000
% Of Financing	21.7%	28.3%	9.3%	40.7%	100%

V. Executing Agency (EA) and Implementation Structure

A. Executing Agency(s) Description

- 5.1. ChangeX United States, Inc (ChangeX) is a 501(c)(3) charity in the US wholly owned, operated, supervised, and controlled by ChangeX International... ChangeX International is a company incorporated in the Republic of Ireland and operates in 17 countries. The company is a public benefit entity, and it is prohibited by its constitution from distributing any of its reserves by way of a dividend or otherwise to its members. The US subsidiary, ChangeX United States, Inc. will be the executing agency of this project and will sign the agreement with the Bank.
- 5.2. ChangeX operates an impact platform, also called ChangeX that connects changemakers with proven ideas and finance, and is the trusted partner to donors, innovators, and communities to deliver impact at scale globally. It has directly impacted 1 million community participants and 50,000 team members and indirectly reached 400+ million people through 20,000 community projects led by 50,000 community team members scaling 100 proven ideas.¹⁶
- 5.3. ChangeX was created in 2015 to empower communities worldwide by making proven innovation and grant finance accessible to everyone, everywhere, with a goal to impact one billion people by 2030. The mission of ChangeX is to strengthen wellbeing in communities and help them thrive. ChangeX does this by sourcing and packaging the best ideas across the fields of, but not limited to, education, environment, health, inclusion, and civic participation that communities can adopt locally, and then inspiring, recruiting, and supporting teams to replicate these ideas in local communities with funding and information they need.
- 5.4. The primary activities carried out by ChangeX are:
 - a) **Curating and packaging innovations:** There were 51 and 40 new proven innovations added to the ChangeX platform in 2023, and 2022, respectively, giving communities further choice and opportunity to start an idea that benefits their community.

¹⁶ RBAC, Colectivo Tomate, aeitu, A Cidade Precisa de Voce, Educación para Compartir, livelab, Positivo Tecnología, Uniminuto, Robotix, among others.

- b) **Recruiting, supporting, and funding starters:** The field work of ChangeX includes marketing efforts in communities resulting in an extensive digital ad reach, PR campaigns and direct outreach with local networks, building awareness for the innovations on ChangeX and its brand. It also includes the support and funding of starters. This work is substantial: the number of funded community projects reached 1,125 in 2023, a significant increase from 755 projects during 2022. Total funding mobilized in 2023 was US\$4,8 million, up from US\$2,4 million in 2022.
- c) **Product development:** ChangeX product teams work to improve the starter, donor, and social innovator experience on the ChangeX platform. Examples of the feature additions and improvements include that Social Innovators (SIs) have more autonomy in their page creation and update, meaning new ideas can be onboarded faster, and better visibility on community group progress on the platform to provide more relevant support to them.
- d) **Sales and fundraising:** ChangeX has focused on expanding the number of partners among multinational companies, helping them to manage their community funds and achieve their social impact goals.

5.5. Overall, its track record shows that it is able to create value for three groups of stakeholders, as shown in this graph:



- 5.6. **Local capacity in LAC.** The company has built a decentralized and streamlined technological and operational capacity for scale with funds active in 10 countries and 6 languages, and has a LAC based 9 member team to generate opportunities for collaborative investments in the region (Brazil, Colombia, and Mexico). In total it has a staff of 26 people and works with a number of local based specialists. Its LAC founding partners include the Lego Foundation, Amazon Web Services (AWS), Nickelodeon, and has worked with several local based social innovators.
- 5.7. **Summary of financial statements:** ChangeX has been solidifying its “Impact as a Service” (IaaS) business model, which is poised to become financially sustainable in 2024 due to the growth of service fee income through existing and new partnerships, see summary historical financial statements in the technical files (Annex VI).
- 5.8. In ChangeX history, grant finance has been a strategic income source which has put the company in a strong position to secure additional partnerships, grow its impact, and continue in existence, and it will continue to complement IaaS, but as a secondary source of income or a strategic income source when focusing on new geography or topics. Multiple of ChangeX current donors have supported

decarbonization projects including Service Now, Microsoft, AWS, Accenture, PWC, and Nickelodeon. The main sub-topics of the projects include replicating proven solutions around afforestation, solar energy, sustainable transportation, and composting of bio-waste.

- 5.9. **Income and Expenses.** ChangeX total income, excluding community funds mobilized, increased by 29% in 2023 compared to 2022, from US\$1.9 million to US\$2.7 million, in great part as a result of laaS fee income growing from US\$786,000 to \$1.1 million. Donations and grants have played an important part in 2022 (US\$790,000) and 2023 (US\$1.7 million) but will play a lesser role in ChangeX future, proportionally, and are to be phased out likely by 2026 as a part of the strategy to rely on laaS and be financially self-sufficient. It is worth noting that ChangeX laaS income depends primarily on reaching partnership deals with donors and increasing community funds income, which in turn generates laaS revenue. In fact, community funds mobilized increased from US\$498,000 in 2021 to \$2.5 million in 2022 and reached as much as US\$4.8 million in 2023.
- 5.10. ChangeX total operating costs (including direct costs and administration) increased from US\$1.9 million in 2022 to US\$2.6 million in 2023, as a result of almost doubling community funds mobilized. ChangeX efficiency measured as Total Expenses/Community Funds mobilized improved significantly from 78% in 2022 to 55% in 2023. ChangeX costs in 2023 were divided between Research & Development that made up 25%, Sales & Marketing which accounted for 10%, Direct Operational Costs to deliver on “Impact as a Service” business model which made 26%, and Operations & Finance which accounted for the remaining 38% of total costs.
- 5.11. The group's profit for the year was US\$4,700 in 2023, down from US\$4,800 in 2022. The group's income was derived from activities undertaken in 14 countries in 2023, compared to 10 countries in 2022. Income from Latin America and the Caribbean accounted for 29% of the income in 2023, up from 0% in 2021.
- 5.12. **Summary of Financial Projections.** The addition of global brands in 2022 and 2023¹⁷, alongside the solidification and growth of existing partnerships, provides the basis for ChangeX future sustainability. The investments in the product, team and processes that have been made with the grant finance secured in 2022 has put the company in a strong position to secure additional partnerships, grow its impact, and continue in existence. The platform is now managing funds and scaling innovations in 17 countries and 10 languages. Annex VI shows financial projections for ChangeX.
- 5.13. The expected income sources for 2024-2026 show a steady growth in both community funds mobilized and laaS income, while grant finance is expected to be no longer needed in 2026. The community funds mobilized are expected to increase from US\$13.7 million in 2024 to US\$98.5 million in 2026, with an annual growth rate of over 100%. The service income from laaS also is expected to rise from US\$2.6 million in 2024 to US\$18.8 million in 2026. LAC laaS is predicted to increase from US\$636,000 in 2023, to US\$5.6 million in 2026.

¹⁷ ChangeX has partnered with Microsoft, AWS, Accenture, the Lego Foundation and PWC.

- 5.14. Key indicators¹⁸ for 2024-2026 show that ChangeX improves its financial self-sufficiency, while growing in funds mobilizing and becoming more efficient over time, which is reflected also in not increasing pricing for the donors. The self-sufficiency ratio is expected to increase from 100.4% in 2024 to 108.7% in 2026. The pricing ratio remains stable: 19.1% in 2024 and 19.0% in 2026, indicating that the project maintains an affordable pricing policy for its services to donors. The efficiency ratio improves from 24.4% in 2024 to 17.5% in 2026, indicating that the project reduces its expenses in deploying and monitoring the use of community funds.
- 5.15. **Integrity Review.** The project team, with OII assistance, conducted the integrity due diligence on the project in accordance with the Integrity Due Diligence Guidelines (OP-474-1) and no integrity risks and reputational impact were identified for IDB Lab that warrant disclosure.

B. Implementation Structure and Mechanism

- 5.16. ChangeX United States, Inc will establish an execution unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. ChangeX United States, Inc will also be responsible for submitting progress reports on project implementation.
- 5.17. Change X will conform a project execution team that will include the following new hires based in Central America or another LAC country for: (i) Program Manager, (ii) Business Development specialist¹⁹ with both direct access to donors in Central America and United States, (iii) Climate specialist in charge of portfolio building and MEL activities related to climate adaptation and/or mitigation, (iv) Communications and Engagement Lead responsible for attracting and supporting applicants, and (v) Software developer in charge of implementing the needed ChangeX platform adaptations and front-end developments. A Senior Project Director from the current ChangeX team in Latin America will be overseeing the overall project implementation. Both the Director and Manager will perform key complementary Business Development activities. Also, senior strategic leaders of the areas of Communications, Community Success, MEL, Operations and Product will provide strategic guidance throughout the project. IDB Lab funds will be managed from the ChangeX USA subsidiary, with the direct overseeing of the global Operations and Finance Leader and the direct support of the Senior Accountant.
- 5.18. ChangeX will play a central role in decision-making processes regarding project implementation, leading all main project activities. Key stakeholders will participate in the following way: (i) Private sector donors will provide the Grant Funding resources. They will participate in decision-making processes around each of the specific Community Funds they support, through consultation and collaboration with ChangeX, specially giving inputs around the prioritized geographies, sub-topics, portfolios of proven solutions, communication channels and materials and selection of project ideas per Community Fund. This will be

¹⁸ The self-sufficiency ratio measures the total income over the total expenses and shows how well the project can cover its costs without external support. The pricing ratio measures the service income from IaaS over the community funds mobilized and shows how much the project charges for its services relative to the funds it raises from the community. The efficiency ratio measures the total expenses over the community funds mobilized and shows how much the project spends to generate a unit of community fund.

¹⁹ This particular position could be based in the U.S.A. for better access to potential funders.

done through e-mails, joint planning sessions and regular meetings with the ChangeX Business Development team. (ii) Innovators will provide the base information to package their proven solutions and contribute resources, expertise, and networks to support local communities implementing them. They will be responsible for supporting decision making processes around specific requirements that communities need to meet to be able to implement their proven solution. They will give inputs around the communication strategies of the Community Funds and support outreach strategies. This will be done through emails, joint planning sessions and regular meetings with the ChangeX Climate Specialist (iii) Amplifiers, organizations with direct contact with communities, will provide their inputs about how the project aligns with local priorities and help with the overall outreach. This will be done through emails and networking meetings with the ChangeX Communications and Engagement specialist.

- 5.19. Beneficiaries, including Indigenous groups and women, will lead all Community project activities such as implementing proven solutions, receiving training and support from ChangeX and Innovators and collecting green impact data from their projects, including local communities and Indigenous groups. They will be actively involved in all decision-making processes about which proven solution to apply to and how to adapt it to their local reality and provide inputs via feedback and accountability mechanisms like user surveys, regular monitoring and evaluation processes and meeting with the ChangeX team to ensure that their needs and priorities are addressed.

C. Conditions for the Disbursement of the Non-Reimbursable Technical Cooperation RG-T4467

- 5.20. The Executive Summary shows the conditions for the first disbursement, Section V, Compliance with Milestones and Special Fiduciary Arrangements shows additional conditions for NRTC disbursements.
- 5.21. **Disbursement Mechanism.** The resources will be disbursed in up to 5 disbursements, for a maximum of US\$125,000 each, at the request of the Executing Agency, and subject to compliance with the applicable conditions for disbursements, and compliance with the NRTC Project Milestones, as well as others that may be requested by IDB Lab.

D. Conditions for Disbursement and Repayment of the Contingent Recovery Investment Grant RG-G1063

- 5.22. The Executive Summary shows the conditions for the first disbursement, Section V, Compliance with Milestones and Special Fiduciary Arrangements shows additional conditions for CRIG disbursements.
- 5.23. **Disbursement Mechanism.** The resources will be disbursed in up to 4 disbursements, for a maximum of US\$200,000 each disbursement, and subject to compliance with the applicable conditions for disbursements, set below, as well as others that may be requested by IDB Lab.
- 5.24. **Special Conditions for the CRIG disbursements** will include, among others:
- 5.25. For all disbursements, disbursement request accompanied by i) Report and compliance with financial and operational conditions prior to disbursement, ii) Non-objection to the updated and specific investment plan for the use of the resources requested, and iii) notarized promissory note for the amount requested.

- 5.26. Conditions for the first disbursement of the CRIG are detailed in the Executive Summary. For the second disbursement: (i) general conditions for the Disbursement of the Contribution detailed in the Agreement, (ii) to have used at least 80% of the resources disbursed by IDB Lab in the items defined in the contracting plan, and (iii) to have contributed a counterpart at least equal 15 % of the amount disbursed by IDB Lab up to that point, and (iv) proof that the proposed grants awardees have completed ChangeX 30 days challenge successfully.
- 5.27. For the third and subsequent disbursements: (i) general conditions for the Disbursement of the Contribution detailed in the Agreement, (ii) to have used at least 90% of the resources disbursed by IDB Lab in the items defined in the contracting plan, and (iii) to have contributed a counterpart at least equal 25% of the amount disbursed by IDB Lab up to that point, and (iv) proof that the proposed grants awardees have completed ChangeX 30 days challenge successfully.
- 5.28. **Amount to be Repaid.** Upon meeting the Triggering Milestone (as defined below), the ChangeX will repay to the Bank the CRIG amount of US\$650,000 or the disbursed amount whichever is lower.
- 5.29. **Repayment Triggering Milestone/s:** ChangeX will repay IDB Lab the Repayment Amount if it achieves this milestone:

Repayment Triggering Milestone	Formula / Description/ Source	Condition
Cumulative service fees for community funding disbursed in Latin America and the Caribbean (LAC)	Cumulative Impact as a Service (Iaas) Fees for LAC operations received by ChangeX from January 1, 2024, until the last day of the Repayment Period.	>=US\$850,000

- 5.30. **Repayment Period.** The repayment period lasts 36 months and begins on the First Repayment Date immediately following the date of the last disbursement. The Triggering Milestone evaluation period lasts 36 months and starts 30 days before the first repayment.
- 5.31. The EA is obligated to make up to 6 semi-annual repayments to IDB Lab during the repayment period, starting on the First Repayment Date, which occurs after the EA meets the Triggering Milestone. Repayment Dates are May 15, and November 15. The repayment period will be extended to maintain the original number of repayments when the Triggering Milestone is not met on the first expected occurrence.
- 5.32. The Triggering Milestone will be calculated 30 days prior to the First Repayment Date, and, if not met, 30 days prior to each subsequent Repayment Date, until compliance or the end of the triggering milestone evaluation period, whichever comes first.
- 5.33. **Semi-annual repayment amounts.** The repayment amounts will be equal to US\$108,333, or 1/6 of the total amount disbursed under the CRIG, whichever is lower. Each semiannual payment is not to exceed 12% of ChangeX' Impact as a Service Fees in Latin America and the Caribbean for the previous fiscal year.
- 5.34. In case ChangeX does not achieve the triggering milestone after 6 successive semiannual calculations, it will make a one time payment of US\$162,500, within

3 months of the last semiannual payment, or 25% of the amount disbursed under the CRIG, whichever is smaller.

VI. Compliance with Milestones and Special Fiduciary Arrangements

A. Disbursement by results and fiduciary arrangements

- 6.1. The level of risk determined by the diagnostic assessment of integrity and institutional capacity (DICI) was low, reflecting that ChangeX has acceptable capacity to manage the project resources. The executing agency agrees to the IDB Lab's standard arrangements on results-based disbursements and to the Bank's policies on procurement⁵¹ and financial management,⁵² as specified in the Technical File.
- 6.2. A condition precedent to all project disbursements will be corroboration of the fulfillment of milestones using the means of verification agreed upon by the executing agency and IDB Lab. Fulfillment of milestones does not exempt the executing agency from its responsibility to achieve the agreed results. Additionally, ChangeX will have to justify the use of at least 80% of cumulative advances of funds in order to request a new disbursement. According to risk- and performance-based project management modality, disbursement amounts are determined as a function of the project's estimated liquidity needs for a maximum of six months. IDB Lab and the executing agency will agree on those needs based on the activities and costs programmed in the annual planning process. Unless otherwise determined by the Bank in the course of the project, the executing agency's procurement and contracting policies will be used, in accordance with market practices for the private or commercial sector that are acceptable to the Bank, pursuant to the IDB's procurement and contracting policies (documents GN-2349-15 and GN-2350-15).
- 6.3. Along with the annual work plan, an annual procurement plan will be delivered with the necessary procurements for the project and compliance with milestones. IDB Lab will conduct an ex post review of the technical aspects of procurement, as necessary, particularly those aspects deemed critical. The executing agency will prepare its annual financial statements and ensure that they are made available to the Bank. With resources from the contribution, the Bank may review the financial statements and use of the funds allocated to the project and verify the financial and procurement practices.
- 6.4. **Results-based disbursements.** The Country Office of Panama will monitor the Project in accordance with the performance and risk management policies (fulfillment of milestones) established by the IDB Lab in April 2008.

VII. Information Disclosure and Intellectual Property

- 7.1. **Access to information.** The information contained in this document is classified as private under the Bank's Access to Information Policy²⁰

²⁰ Link to [Access to Information Policy](#)

- 7.2. **Intellectual property.** ChangeX will retain the intellectual property of the products and studies developed with the project technical cooperation funding. To enable the Bank to (i) disseminate the project results; (ii) apply the lessons learned to other projects in the region and ensure maximum dissemination of the project learnings with the target population and within the region; and (iii) leverage learnings for the analysis of similar future projects at the regional level, ChangeX will grant the Bank a nonexclusive, irrevocable, and global license, in perpetuity and free of rights, to use, copy, distribute, reproduce, publicly present, and execute terms of the privacy policy and the terms and conditions of the executing agency. The Bank may grant sublicenses to third parties without the need to request new authorizations or licenses from the executing agency.
- 7.3. The executing agency will represent and warrant to the Bank that execution of the project does not infringe, nor will it infringe, the rights of third parties, and it will take all necessary steps to ensure that the Bank can exercise the rights mentioned in this document without limitation. The executing agency will release and indemnify the Bank, its staff, sublicensees, or consultants from any action that may be taken against the exercise of the rights granted by virtue of the license given to the Bank.
- 7.4. The Bank may disseminate, reproduce, and publish information related to the project and include the name and logo of the executing agency.