

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Amazonia Bond Initiative
▪ TC Number:	RG-T4474
▪ Team Leader/Members:	Vasa, Alexander (IFD/CMF) Team Leader; Alves, Tatiana Cneio (IFD/CMF) Alternate Team Leader; Hincapie Salazar, Daniel (CSD/ACU) Alternate Team Leader; Ricas Da Cruz, Daniel (IFD/CMF); Hansmann Johanna Paola (CSD/ACU); Barahona Cortes Patricia (ORP/GCM); Ogialoro, Claudia (ORP/GCM); Martinez Legaria, Juan Antonio (VPS/ESG); Alves Dos Reis Natasha (IFD/CMF); Martinez Lopez, Cynthia (IFD/CMF); Aurea Fuentes (IFD/CMF); Orlando De Souza Lima (IFD/CMF); Licht Tellez Vanessa (CSD/ACU); Marquez, Claudia (IFD/CMF); Angela Pinzon (IFD/CMF); Sanz-Paris, Carole (INO/FNP); Flores Fernandez Francis Sohany (IFD/CMF); Palma Ribeiro Rafael (IFD/CMF); Marquez Cardenas Valentina (IFD/CMF); Vila Saint Etienne, Sara (LEG/SGO); Langstroth, Robert Peter (VPS/ESG)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Project Specific Contribution Account(PSC)
▪ IDB Funding Requested:	US\$2,072,482.00 ¹
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date: ²	Sep 27 th , 2024
▪ Types of consultants:	Firms and/or individual consultants
▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/CMF-Connectivity Markets and Finance Division
▪ TC included in Country Strategy (y/n):	n
▪ TC included in CPD (y/n):	n
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Afro-descendants; Diversity; Environmental sustainability; Gender equality; Indigenous People; Institutional capacity and rule of law; Social inclusion and equality

¹ The Spanish Agency for International Development Cooperation (AECID) has contributed EURO €2,000,000, that has been received on January 05, 2024, and converted to US\$ 2,181,560 at the exchange rate of 1.09078. Out of this amount, US\$109,078 will be charged as a 5% Project Specific Grant (PSG) administration fee. The remaining amount of US\$2,072,482 corresponds to the project amount available as indicated in the Basic Information table.

² In accordance with bank guidelines, the project start date must be subsequent to the expected approval date. It should be noted that the funds were committed by the Spanish Agency for International Development Cooperation (AECID) on December 27, 2023, and received by the bank on January 05, 2024.

II. Objectives and Justification of the TC

- 2.1 **Background.** Covering 8.3 million km² and portions of eight countries in Latin America and the Caribbean (LAC), the Amazon region³ contains great natural and cultural diversity that plays a central role in the global water, energy and carbon cycles. It is the largest continuous system of tropical forests and rivers in the world and the largest reservoir of biodiversity on the planet, representing over 10 percent of all its plant and animal species. The Amazon is also a fundamental buffer against climate change, as it stores more than 100 billion tons of carbon, equivalent to approximately 10 percent of global emissions.⁴ Home to 60 million people (including areas of influence of large cities)⁵, including more than 500 indigenous groups, the region provides multiple ecosystem services such as water recycling of 50-75 percent of annual rainfall to the atmosphere, food production, including 400,000 tons of fish per year; and a discharge of 200,000 m³ of freshwater to the Atlantic Ocean every second.⁶ In 2019, the governments of Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname signed the Leticia Pact for the Amazon Region, committing to coordinate efforts and responses among Amazon countries for the preservation of the natural resources of the Region as well as to generate opportunities for the sustainable development and well-being of its population.⁷
- 2.2 **New Partnership.** In August 2023, the Inter-American Development Bank (IDB) and the World Bank (WB) signed a Memorandum of Understanding (MoU) that marks the start of a four-year partnership to drive stronger results for people in LAC. One of the three priority areas of this partnership is the Amazon region. This partnership aims to boost support for net-zero deforestation efforts and transform the nature/forest/climate agenda in the Amazonia. The IDB and WB will leverage their programs to support Amazon countries to implement strategic actions on forest packages and protection of nature in biodiversity rich areas of their territories.
- 2.3 **The IDB's Amazonia Forever Program.** The IDB launched in June 2023 the [Amazonia Forever](#) Program, a holistic umbrella program that aims to scale up financing, share strategic knowledge for decision-makers, and enhance regional coordination to accelerate the sustainable, inclusive and resilient development of the Amazon region. The program is based on five pillars: (i) combating deforestation and strengthening environmental control and security in the context of national governments; (ii) the bioeconomy, boosting alternative and sustainable economic activities; (iii) people, aiming for adequate access to quality education, health and employment; (iv) sustainable cities and infrastructure and connectivity; and (v) and low-carbon agriculture, livestock and forestry. In addition, it focuses on promoting the inclusion of women, indigenous peoples, afro-descendants and local communities, climate and forest conservation, and strengthening institutional capacities and the rule of law.

³ As defined by The Amazonian Network of Georeferenced Socio-Environmental Information ([RAISG](#)). This territorial definition is also used to define IDB's [Amazonia Forever](#) work area.

⁴ WWF, 2021. Recommendations for the Implementation of the Leticia Pact in a Context of Green, Just and Resilient Economic Recovery.

⁵ [Amazonia360](#).

⁶ Ibid.

⁷ ACTO, 2021. [Leticia Pact: Amazon countries support the strengthening of ACTO](#).

- 2.4 **Justification.** The LAC sustainable capital market needs targeted capacity support to grow in a manner that: (i) allow for the funding to be used for supporting green and sustainable investments and projects; and (ii) is credible to market participants, including issuers, investors, asset managers, regulatory authorities, stock exchanges, and standard setters. Governments are taking increased interest in the issuance of bonds to raise money for sustainable projects and attract new pools of socially responsible investors. A growing number of institutional investors are increasing their concern for environmental and social standards to be accounted for in their investment decisions.⁸ Capital markets indeed provide an adequate platform for new mechanisms to channel private funds more efficiently to projects that address social, economic, climate, and environmental challenges altogether. For instance, with transactions ranging between US\$300 million and US\$1 billion, green bonds have become popular instruments for sustainable investments, particularly for large mainstream investors.⁹ Green and sustainable bonds in LAC, are still largely focused on energy and infrastructure, but these instruments could be expanded to areas covered under the Amazonia Forever Program.
- 2.5 The **barriers that hinder the development of thematic bond issuances** include, on the issuers' side: (i) inadequate know-how on how to go about in issuing thematic bonds, and inadequate understanding about the benefits associated with the issuance of thematic bonds; (ii) higher costs for issuers vis-à-vis ordinary bonds; (iii) issuers' inadequate ability to adhere to good international practices and standards (critical decision factor for investors); (iv) existing available thematic bonds methodologies are insufficient to enable the issuance of thematic bond products suited to attend the variety of sustainable financing needs of LAC countries; and (vi) lack of disaggregated data to understand portfolio segmentation in aspects such as gender or diverse groups. Other barriers, on the investors' side that hinder confidence and demand for LAC thematic bonds include: (i) non-standardized reporting practices on the use of proceeds and related environmental performance,¹⁰; and (ii) lack of tax incentives' frameworks aimed at fostering the issuance of sustainable/thematic debt in LAC countries, as well as to stimulate investors demand.
- 2.6 **Amazonia Bonds.** In June 2023, the IDB Governors of the seven Amazonian countries signed the Declaration of Sao Paulo, forming a Network of Ministers to expand regional collaboration and strengthen the nexus between finance, environment, and nature.¹¹ One of the thematic lines of work of this Network is **Amazonia Bonds**, which aims to establish a common methodological framework as one of its flagship products. In addition, and as part of the Amazonia Forever initiative, in August 2023,¹² the IDB and the WB agreed to develop and deploy **Amazonia Bonds**. The scheme is an ambitious and innovative capital markets solution to support

⁸ GIIN, 2018. [Financing the SDGs: Impact Investing in Action](#); PGGM et al., 2016. [Institutional investment into the Sustainable Development Goals](#).

⁹ IDB, 2021. [Impact Investment for Biodiversity Conservation: Cases from Latin America and the Caribbean](#).

¹⁰ A survey by Climate Bonds Initiative on LAC issuances ([CBI, 2019b](#)) shows that: (i) only about half of all issuers reported on the use of proceeds and environmental impacts; (ii) about a quarter of issuances were CBI certified; and (iii) about 1% of green bonds supplied external assurance on the use of proceeds and impact metrics reported.

¹¹ The seven member countries of the Network are Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname.

¹² A [memorandum of understanding \(MoU\)](#) was signed by IDB and WB on August 31, 2023. This MoU foresees that the World Bank and IDB combine their technical expertise among others on the Amazon region.

funding of a regional sustainable development program, underpinned by environmental and social sustainability for the Amazon, and to support public and private sector issuers such as sovereigns and public development banks, as well as private sector financial and non-financial issuers in Amazonian countries. All eight Amazonian countries are eligible.

- 2.7 **Context of Gender and Indigenous People (IP).** There are differential gender and Diverse Groups (DGs) barriers that hinder access to and use of the financial system. It is estimated¹³ that there is a financing gap of US\$93 billion for women in Micro, Small Medium Enterprises (MSMEs) in LAC. There is a consistent lack of data disaggregated at the gender and ethnic level in the financial system, which impedes an understanding of access to finance, specifically for a sub region like the Amazon. Information¹⁴ from the Brazilian Amazon region shows that women MSMEs are less present in those states: 23% compared to the national average of 28%. Estimates indicate¹⁵ that over 1.6 million Indigenous People (IP) live in the Amazon in South America, and that they play a vital role in environment conservation and their livelihoods are directly linked to it. Given the lack of information on the intersection of gender, indigenous people, financial systems, and the Amazon, it is important to understand main barriers and needs to include them in initiatives such as thematic bond issuances.
- 2.8 **Governance Structure between IDB and WB.** As part of Amazonia Forever, in August 2023 the World Bank and the IDB agreed to develop the concept of Amazonia Bonds.¹⁶ During a kick-off meeting in November 2023, WB and IDB established a joint technical team to facilitate exchange and jointly develop the methodological framework, define activities, and a timeline for the workstream of Amazonia Bonds. A task team with members from both institutions will be established to review the common understanding of these matters. Overall, collaboration between both institutions is based on a shared vision and coordination meetings regularly and to work together with governments and other key regional and global stakeholders.
- 2.9 **Objective.** The main objective of this Technical Cooperation (TC) is to create a methodological framework for Amazonia Bonds issuance to support environmental and social sustainability in the Amazonia region and strengthen the institutional capacity of various ecosystem actors, including sovereigns, public development banks operating in the Amazon region and private entities. The proposal will work on the demand-side of capital markets finance building institutional and technical capacity of potential issuers of Amazonia Bonds, and on the supply-side by engaging with investors, international standard setters and local capital market regulators and involve local communities and indigenous populations early on the development of the concept. To achieve these objectives, the two Banks will deploy technical assistance to support issuers individually to access international thematic capital markets via use of proceeds and sustainability-linked bonds considering relevant environmental and social benefits and safeguard mechanisms deriving from the issuance of Amazonia bonds and thereby contribute to a just transition to a low-carbon, climate-resilient and deforestation-free Amazon.

¹³ MSME Finance Gap, World Bank.

¹⁴ SEBRAE, 2022. [Mapeamento de empresas com quadro societário predominantemente feminino.](#)

¹⁵ USAID, [Indigenous People.](#)

¹⁶ The private-sector window of the IDB Group, IDB Invest, and the World Bank's International Finance Corporation (IFC) will also provide technical expertise and facilitate dialogues to mobilize private sector investments in line with the Amazonia Bonds concept.

- 2.10 In December 2023, the Spanish Agency for International Development Cooperation (AECID) made a substantial contribution to boost the Amazonia Forever Program donor funds led by the IDB in the Amazon region. Spain's AECID pledged EUR €2,000,000 to support the "Amazonia Bonds" initiative led by the IDB and the WB. AECID's funds will support implementing this technical cooperation, particularly the institutional and technical capacity building for potential issuers and engagement with investors, standard setters, and regulators.
- 2.11 **Impact.** The TC extends beyond the issuance of Amazonia Bonds and has broader systemic implications. By establishing a regional methodological framework, the initiative will: (i) promote integration and cooperation among Amazonian countries, creating synergies that contribute to a fair transition to a low-carbon, climate-resilient, and deforestation-free Amazon; (ii) it will promote the development of participatory schemes involving public and private entities, as well as local, indigenous, and Afro-descendant communities; and (iii) it will facilitate the dissemination of social and environmental knowledge, best practices, and the development of institutional capacities and tools tailored to local needs; and will encourage the growth of the capital markets with a regional Amazon focus, based on international standards, local and international regulations, and best practices. This will strengthen confidence in the thematic bond market and increase resource mobilization for high-impact projects in the Amazon.
- 2.12 **IDB Strategic Alignment.** This TC is consistent with the Institutional Strategy "Transforming for Scale and Impact" 2024-2030 (CA-631) and is aligned with the objectives of: (i) Reduce Poverty and Inequality, by assessing the feasibility of disaggregating climate portfolios and budgets and providing insights on how finance can integrate the gender and diversity lens; and, thereby, promoting mainstreaming activities in all financed projects to increase benefit sharing and prevent or mitigate any negative effect on women and vulnerable populations; and (ii) Address Climate Change, by increasing public sector actor's capacity to manage climate risks, pursuing opportunities for climate mitigation, resilience, and adaptation to climate impacts, and contributing to a just and inclusive transition toward low GHG emissions, and deploy green and sustainable financing in the Amazon region. Thereby, the TC will contribute to Amazon countries delivering on their Nationally Determined Contributions, enhancing the mobilization from traditional and non-traditional partners and thereby catalyzing private financing. The TC is also aligned with the operational focus areas of: (i) biodiversity, natural capital and climate action; (ii) gender equality and inclusion of diverse population groups; (iii) institutional capacity, rule of law, and citizen security; (iv) social protection and human capital development; (v) sustainable, resilient, and inclusive infrastructure; (vi) productive development and innovation through the private sector; and (vii) regional integration.

The TC aims to strengthen institutional capacities of Debt Management Offices, Public Development Banks, and Private Sector Institutions to finance social, climate and biodiversity projects that contribute to the sustainable development of Amazonia and to preserving natural capital. It supports the development of financial instruments seeking to mobilize capital towards projects that address critical challenges such as deforestation, climate change, and socio-economic inequalities while also promoting inclusive economic growth, and the preservation of the region's traditional cultures and biodiversity. The initiative promotes the development of participatory mechanisms involving both public and private entities, as well as local, indigenous, and Afro-descendant communities. These mechanisms will facilitate the dissemination of

social and environmental knowledge, good practices, and the development of institutional capacities and tools tailored to local needs, while facilitating addressing the needs for basic sustainable, resilient, and inclusive infrastructure and services in the region.

- 2.13 All interventions under this TC are aligned with IDB Group's Country Strategies with each country and regionally, across Amazon Basin countries. Furthermore, it is consistent with Long-Term Financing Sector Framework Document (GN-2768-12), aiming to improve access to finance for PDBs and consequently their end-beneficiaries in the real economy.
- 2.14 Specifically, the TC contributes to the mobilization of sustainable financing towards priority areas for country strategies, such as diversification and incorporation of activities for social and inclusive development (Bolivia, 2022-25, GN-3088), improving the business climate and infrastructure for competitiveness and promoting national and international integration to increase productivity (Brazil, 2019-2022, GN-2973),¹⁷ accelerating economic productivity and public management effectiveness, providing continuity and support to the crosscutting themes of gender and diversity, climate change and integration (Colombia, 2019-2022, GN-2972),¹⁸ promoting public-private partnerships and developing thematic bonds and guarantees for the productive development of the Amazon region (Ecuador, 2022-2025, GN-3103), mobilizing the private sector and supporting economic diversification of the non-oil economy (Guyana, 2023-2026, GN-3187-1), strengthening social progress in the context of environmental sustainability with a decentralized approach that prioritizes rural areas, as well as the sustainable development of the Amazon region (Peru, 2022-2026, GN-3110-1), supporting a sustainable recovery by restoring macroeconomic sustainability and promoting private sector competitiveness (Suriname, 2021-2025, [GN-3065](#)) amongst others.¹⁹ Additionally, the TC contributes to promoting regional cooperation and integration among Amazonian countries by harmonizing principles and general guidelines for sustainable investment at the Panamazonian level.
- 2.15 This TC will contribute to raising the visibility of the development needs of the Amazon in global capital markets as well as highlighting the strategic importance of the Amazonia Forever program.
- 2.16 **Complementarity.** This TC builds upon results from previous operations to contribute towards the development of the sustainable finance and capital markets in Latin America and the Caribbean, especially for green bond markets. It will complement other projects such as “LAC Green Finance Program to Mobilize Private Investment in Mitigation Actions and Low-carbon and Sustainable Business Models through National Development Banks (Phase II)” ([ATN/CF-17992-RG](#)), which is in the final stages of disbursement (see lessons learnt paragraph 2.19 for details), “Regional Project to Develop the Knowledge Base to Enable the Mobilization of Capital Market Investments in Bioeconomy in the Amazon” (RG-T4365) which at the time of approval of the TC is currently under development and focuses on the need to define new concepts such as bioeconomy bonds with all market actors, “Consolidation of the

¹⁷ Extended until August 31, 2024.

¹⁸ Extended until October 31, 2024.

¹⁹ At the time of approval of the TC, Venezuela does not have a Country Strategy with the IDB Group, which in accordance with the [IDB Country Strategy Guidelines](#), prevents the approval of the Executive Board of financing operations and suspends the possibility of granting eligibility to new loans and guarantees.

Green Coalition of Public Development Banks of the Amazon Region” (RG-T4413), recently approved, which designs and disseminates knowledge products among the Coalition members, and “Regional Green Bond Partnership for Latin America and the Caribbean” (RG-T4159), whose approval is in progress, and which supports the development of the green capital market in the LAC region by promoting transparency and quality standards as well as fostering innovative green solutions or green products through Technical Assistance and Capacity Building.²⁰ It also complements other sustainable financing activities for the Amazon region carried out by the IDB Group. This includes multiple loan operations in bioeconomy for the Amazon ([5183/OC-EC](#); [5184/TC-EC](#), [5860/OC-SU](#); [5861/GN-SUS](#), [5356/OC-PE](#)), various technical cooperations in public-private partnerships, and numerous entrepreneurship financing activities through IDB Lab. Technical cooperation is a core component of the strategy of the regional coordination program Amazon Forever and is one of the central pillars of the Amazon Bioeconomy Fund with the Green Climate Fund, under the administration of the IDB.

- 2.17 Furthermore, the Project will leverage and build on the advances of the Regional Climate Change Platform of the Ministries of Finance, Economy and Finance of Latin America,²¹ the LAC Debt Group, a forum of Sovereign debt management officers which ultimately decide on issuances in capital markets²² and the Green Coalition of Public Development Banks²³ as well as existing tools for harmonization such as the [Green Bond Transparency Platform](#). In addition, and within Amazonia Forever, this Project will also leverage and build on the work agenda of the Technical Group of the Network of Ministers of Finance and Planning of Amazonian Countries, which have included Amazonia bonds as a specific thematic line.
- 2.18 **Lessons learned.** Since 2017, the IDB has supported the issuance of fifty-two (52) public thematic bonds (green, social, sustainable, and sustainability-linked) by national governments,²⁴ development finance institutions²⁵ and utilities,²⁶ mobilizing over US\$40 billion in capital markets finance. Main lessons learned of previous interventions: (i) importance of supporting first time issuers in the roadshow phase and more widely in the promotion of the green, social, sustainable, and sustainability-linked bond issuance to private sector investors; players in emerging markets need to be informed and trained, especially national investors; (ii) broadening the spectrum of beneficiaries: to provide proof of concept and a demonstration effect for subsequent replication by private sector, it is relevant to support issuances by a broader range of public entities specifically sovereigns;²⁷ and (iii) importance of providing a holistic support from institutional strengthening and capacity building, origination, to impact reporting for effective impact measurement and capacity building broadening the coverage of the Green Bond Transparency Platform. This includes increasing visibility

²⁰ OECD (2023). [Green, Social and Sustainability Bonds In Developing Countries: The Case For Increased Donor Co-Ordination](#)

²¹ [ATN/FC-19904-RG](#): Regional Climate Change Platform of Economy and Finance Ministries.

²² [Financial Markets Initiatives: LAC Debt Group](#).

²³ Green Coalition of Development Banks operating in the Amazon Region: www.green-coalition.com.

²⁴ Governments of Colombia, Chile and Ecuador, Uruguay, Brazil and Argentina.

²⁵ Bancoldex, Banco do Brasil, BDMG, BICE, COFIDE, Findeter and FIRA.

²⁶ Electrobras and *Instituto Costarricense de Electricidad*.

²⁷ Cunha et al. (2024). [The Impact of the Creation of a Sovereign ESG Reference Yield Curve on Corporate ESG Bonds Issuances from Latin American and Caribbean](#).

and understanding of publicly available data, refining reporting frameworks for consistency, and addressing any methodological gaps.

III. Description of activities/components and budget

- 3.1 The Project will contribute towards the development finance and capital markets challenges faced in Latin America by developing a: (i) methodological framework for the concept of Amazonia Bonds; (ii) identifying and addressing institutional capacity gaps; and (iii) providing training for market participants under two main components and associated outputs and activities:
- 3.2 **Component 1. Definition of Amazonia Bond Framework (US\$654,468.00).** Under this component, the project will support the development of a draft common methodological framework enabling the issuance of different structures of Amazonia bonds (Use-of proceeds and sustainability-linked) following international standards. The following activities will be implemented:
- 3.3 **Activity 1.1. Develop common methodological framework for Amazonia Bonds,** by assessing complementarity with existing international guidelines for thematic bonds (i.e. Climate Bonds Initiative,²⁸ ICMA Green Bond Principles, Sustainability Bonds Guidelines, Social Bond Principles, Sustainability Linked-Bonds Principles),²⁹ national taxonomies,³⁰ investors requirements (ASCOR),³¹ definitions of “Amazonia” by institutional initiatives³² and established thematic bond frameworks of issuers situated in the specified region³³ to identify synergies and challenges through technical roundtables with relevant stakeholders (Green Coalition, Amazon Finance Network). The roundtables will include the participation of issuers, certifiers, external reviewers, standard setters, structuring banks, investors, Indigenous Peoples, Afro-descendant communities, and civil society organizations. The format of the technical roundtables will be a mix of virtual and presentational roundtables, subject to decisions of the beneficiary countries and cost-effective analysis of hosting virtual or presentational meetings. As part of this framework, the project will integrate the Gender and Diversity perspective following its [Gender and Diversity Sector Framework](#) (GN-2800-13), specifically to understand how to integrate criteria linked to women and diverse groups within the frameworks.
- 3.4 **Activity 1.2. Define eligibility criteria** for underlying activities funded through Amazonia bonds, differentiating from other thematic-labelled instruments, by considering supply chains, benefit sharing in light of a just transition, and relevant environmental and social risk management mechanisms safeguarding the use of funds raised through such bonds, especially with regards to potential negative impacts on Indigenous Peoples, cultural heritage and critical habitats, while recognizing the potential of local communities to contribute to reducing deforestation.³⁴ The IDB and WB will organize technical roundtables and assessments to define the eligibility criteria for underlying activities to be funded

²⁸ [Climate Bonds Initiative. Climate Bonds Standard V4.](#)

²⁹ [ICMA/ Sustainable Finance Principles, Guidelines and Handbooks.](#)

³⁰ [Colombia Green Taxonomy - Taxonomia Verde.](#)

³¹ PRI. [The Assessing Sovereign Climate-related Opportunities and Risks](#) (ASCOR).

³² As Cinco Amazônia: [Bases para o desenvolvimento sustentável da Amazônia Legal](#) (Amazônia 2030).

³³ Public sector issuers, including sovereigns (Colombia, Brazil), and Public Development Banks with bonds issued or developing frameworks (Green Coalition).

³⁴ Sze JS, Carrasco LR, Childs DZ, Edwards DP. Reduced deforestation and degradation in Indigenous Lands pan-tropically. *Nature Sustainability*. 2021;5(2):123-130. doi:10.1038/s41893-021-00815-2 and Fa JE, Watson J, Leiper I, et al. Importance of Indigenous Peoples' lands for the conservation of Intact Forest Landscapes. *Frontiers in Ecology and the Environment*. 2020;18(3):135-140. doi:10.1002/fee.2148.

through Amazonia Bonds for different type of issuers and contexts and will implement surveys and interviews to gather relevant insights and suggestions.

- 3.5 **Activity 1.3. Disseminate knowledge on resources raised through Amazonia bonds** to increase their appeal with existing sustainability and impact investors interested in labeled bonds. The IDB and WB will organize technical roundtables to work collaboratively with sovereign issuers, global, regional, and national investors, and the private sector active in and around the Amazon to highlight the added value of these instruments relative to other thematic bonds.
- 3.6 **Activity 1.4. Define a standardized framework for result-based instruments.** Through a consultative process (workshops, consultations, policy dialogues, surveys, and knowledge events) the project will work with local capital markets and pension fund regulators to define a standardized framework for results-based instruments, to give these securities beneficial access to local pools of capital with standardized results' indicators. When possible, such results indicators will integrate information to track aspects by Sex, Gender or ethnic groups.
- 3.7 **Activity 1.5. Define the MRV mechanisms** required by key stakeholders to enhance transparency in the reporting and the use of best-practice standards for harmonized reporting allowing for a proper selection of indicators, calibration of goals, disclosure of calculation methodologies, and monitoring of results in the long-term. The IDB and the WB will discuss the use of innovative strategies and tools (Green Bond Transparency Platform) to collect the data.
- 3.8 **Component 2. Issuers' Institutional capacities strengthened to issue Amazonia Bonds (US\$1,199,858.00).** Once the framework has been defined, issuers will be supported to strengthen their institutional capacity to plan, manage and execute the projects funded by the Amazonia Bonds. This component foresees the strengthened institutional capacity of sovereign (including public development banks)³⁵ and private sector champions to issue Amazonia Bonds and issuance of Amazonia Bonds under the following output and activities:
- 3.9 **Activity 2.1. Assessment of institutional capacities.** Identify and assess issuers' institutional and technical capacity gaps for potential issuers engaging with investors, standard setters, and regulators and develop an action plan to address those gaps. Institutional capacity assessment will contemplate readiness of issuers in terms of gender and diversity (i.e., institutional policies, action plans, governance, etc.).
- 3.10 **Activity 2.2. Implementation of institutional capacity building activities.** The targeted assistance includes: (i) resource mobilization planning, governance, and inter-ministerial coordination; (ii) pipeline development for green and sustainable projects in the Amazon basin that would qualify to be funded through Amazonia bonds; (iii) understanding and application of eligibility (positive) and environmental and social exclusion criteria (negative), and key performance and result-based indicator choice; (iv) design and implementation of MRV systems, including designated impact measurement methods and standards; (v) increase capacity of issuers for engagement with local stakeholders; (vi) training in aspects related to gender and diversity and how they are relevant for

³⁵ IDB will request letters of non-objection to public issuers interested on issuance of the bonds.

thematic bond issuances; and (vii) training in the use of operational free-access impact reporting platforms, such as the Green Bond Transparency Platform.³⁶

- 3.11 **Component 3. Enhanced Resource Mobilization (US\$218,156.00).** Under this component, the project will support the engagement with investors and donors to mobilize catalytic capital to address the barriers identified in Component 1 & 2. The following outputs and activities will be implemented:
- 3.12 **Activity 3.1. Assess additional funding needs.** Develop an assessment of additional funding required to enable the deployment of Amazonia Bonds to be developed for different classes of prospective issuers. Based on this assessment, the IDB and WB will jointly identify funding sources available and, as applicable, could conduct joint fund-raising activities (including for grant funding).
- 3.13 **Beneficiaries.** The direct beneficiaries of this TC will be the seven Ministries of Finance and Planning, members of the Network of Ministers of Finance and Planning of the Amazon countries, as well as potentially Venezuela under the Amazonia Forever program, and public development banks in the Green Coalition³⁷. Specifically, beneficiaries of Component 1 will include all public and private issuers, including sovereigns, public development banks, sub-national governments, state-owned enterprises, and commercial bank members of the Amazon Finance Network led by IDB Invest and International Finance Corporation (IFC)³⁸ and private sector issuers, investors, and final end beneficiaries, by creating knowledge and awareness on how to invest proceeds from Amazonia Bonds. Beneficiaries of Component 2 will be public sector issuers (sovereigns, public development banks, and state-owned enterprises) by supporting them in implementing the Amazonia Bond framework. Beneficiaries of Component 3 are public sector issuers, which through blending with additional resources could reach more effectively final end beneficiaries, i.e. the local population in the Amazon territory. The expected final beneficiaries will be the inhabitants of the Amazon territories benefiting from the resources raised through Amazonia Bonds.
- 3.14 The prioritization of beneficiaries will be based on several criteria, including alignment of bond issuance with the countries' Nationally Determined Contributions (NDCs) or sustainability strategies, ensuring consistency with the priorities of the Amazon region under the Amazon Bond Concept. The selection process will consider country demand and needs, as well as the existing institutional capacities to set, execute, and monitor programs and impact targets throughout the bond's lifecycle, with a focus on indicators relevant to the Amazon region. Priority will be given to issuers with opportunities to strengthen their institutional capacity and those focused on sustainable initiatives in the Amazon, aiming to scale resource mobilization in capital markets for the Amazon Region while meeting donor requirements. To ensure strategic selectivity and the optimal use of IDB instruments for each public sector client, the selection of beneficiaries will be coordinated with IDB country representatives. Moreover, the TC will seek to balance access across Amazonian countries, considering institutional capacities and market access.

³⁶ See GBTP, 2022. [A novel database for green bonds to support investment analysis and decision making, research, and regulatory decisions: The Green Bond Transparency Platform](#) and <https://www.greenbondtransparency.com>.

³⁷ Green Coalition, 2023 [Green Coalition - Development Banks in The Amazon \(green-coalition.com\)](#).

³⁸ Coordination with Amazon Finance Network through IDB Invest: 2023 [IDB Invest and IFC Launch the Amazonia Finance Network | IDB Invest](#).

3.15 **Budget.** The Spanish Agency for International Development Cooperation (AECID) has contributed EURO 2,000,000, which has been received on January 05, 2024, and converted to US\$ 2,181,560 at the exchange rate of 1.09078. Out of this amount, US\$109,078 will be charged as a 5% Project Specific Grant (PSG) administration fee. The remaining amount of US\$ 2,072,482 corresponds to the project amount available. Table 1 details this budget:

Table 1. Indicative Budget (in EUR/USD)*

Component	Description	IDB/PSC	IDB/PSC	Total Funding
Component 1³⁹	Define Amazonia Bond Framework			
	1.1 Develop common methodological framework for Amazonia Bonds	€300,000.00	\$327,234.00	\$327,234.00
	1.2 Define eligibility criteria	€50,000.00	\$54,539.00	\$54,539.00
	1.3 Disseminate knowledge on resources raised through Amazonia bonds	€50,000.00	\$54,539.00	\$54,539.00
	1.4 Define a standardized framework for result-based instruments	€150,000.00	\$163,617.00	\$163,617.00
	1.5 Define the MRV mechanisms	€50,000.00	\$54,539.00	\$54,539.00
Component 2⁴⁰	Strengthen Issuers' Institutional Capacities			
	2.1 Assessment of institutional capacities	€350,000.00	\$381,773.00	\$381,773.00
	2.2 Institutional capacity building	€750,000.00	\$818,085.00	\$818,085.00
Component 3	Enhanced Resource Mobilization			
	3.1 Assess additional funding needs	€200,000.00	\$218,156.00	\$218,156.00
TOTAL		€1,900,000.00	\$2,072,482.00	\$2,072,482.00

* Based on the exchange rate of Euros in Dollars of 1.09078 (Jan 05th, 2024 – Source: InfoEUR).

3.16 AECID has contributed EURO 2,000,000.00 to this project, which is equivalent to US\$2,181,560.00 based on the exchange rate EUR/USD 1.09078 as of January 05, 2024, which resources were received by the Bank and converted into US Dollars. The total cost of the operational components for Technical Assistance and capacity building activities is US\$2,072,482 (EUR1,900,000), plus an administrative fee of 5% equivalent to US\$109,078 (EUR100,000).

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

3.18 **Arrangements for TC supervision.** To ensure a proper execution of the proposed program, the project team will organize midterm and final review

³⁹ The activities developed under this component could be grouped by one or several consultancies, as included in the procurement plan.

⁴⁰ The activities developed under component 2 and 3 will be disaggregated into several consultancies, as included in the procurement plan.

meetings/conferences with the beneficiaries and their consultants for each of the phases contemplated in the design and implementation of their respective systems and for each of the main milestones of implementation. The project team will also fulfil all the annual and periodical monitoring requirements established by the Bank under current policies and procedures for this type of operation. The TC team will assess the possibility of requesting approval from the Board of Executive Directors to distribute the administrative fees that have been received by the IDB among the relevant departments for which additional workload is generated by the project.

- 3.19 **Monitoring arrangements.** A reflexive qualitative assessment of the Program will be conducted by the project team before the end of the disbursement period to assess whether the outcome and output indicators of the program were achieved, and what lessons can be drawn for similar standard setting projects, aligning with the provisions outlined in the Contribution Agreement with AECID.

IV. Executing agency and execution structure

- 4.1 The TC, as an initiative of the Bank, will be executed by the IDB with a team of staff members who lead the process of green bond structuring and issuances within the Connectivity, Markets and Finance Division (CMF). Additionally, the CMF team will be supported by a group of consultants (individual consultants/firms). Strategic decisions will be conducted in coordination and collaboration with technical experts at the WB to increase the impact for beneficiary clients (see paragraph ¶2.8).
- 4.2 The administrative and technical supervision of the proposed technical assistance program will be the responsibility of IFD/CMF. The IDB's value-added lies in supporting public and private sector clients in developing institutional capacities that enable Amazon countries to access capital markets through the issuance of Amazonia bonds with a view to increase the impact of the investments conducted with the bonds' proceeds. IDB has substantial experience in contributing to the development of the Sustainable Bond Market in LAC and acts as an honest broker between the interests of regulators, issuers, investors and the broader public, interested that public resources are spent well. In the case of standard-setting for capital flows into Amazon region, the IDB has an impact-driven incentive structure, which allows it to work towards a global and regional public good such as the Amazonia Bonds concept. Furthermore, IDBG's Green Bond Transparency Platform and the impact information contained therein serves as a benchmark for issuers and investors. Furthermore, the IDB possesses robust capabilities in assisting potential issuers with lower institutional capacities, identifying opportunities to bridge gaps and enhance their operational effectiveness, and thereby increasing impact.
- 4.3 The execution will be under the responsibility of IFD/CMF. The work proposed in this TC is highly technical and requires proper quality review and monitoring of expert consultant work. The TC will ensure that the materials developed by consultants are peer reviewed by the IDB, and, where applicable, by WB and market experts. The implementation of the technical cooperation will be carried out in close coordination with IDB Invest.
- 4.4 Prior to executing TC activities in beneficiary countries, the non-objection of the member country to the execution of said activities in their territory will have to be obtained, through the corresponding official liaison entity with the Bank in the member country.

- 4.5 **Procurement.** The funding for this operation will be used to hire consultancy services, pay for potential travel costs of consultants and the organization of dissemination and capacitation events (non-consultancy services). All products from this TC will be the intellectual property of the Bank. The Bank will be responsible for the selection and hiring of the consulting services. All activities to be executed under this TC have been included in the Procurement Plan (see Annex III) and will be contracted in accordance with Bank policies and regulations as follows: (a) Regulation Complementary Workforce (AM-650) for the hiring of individual consultants; and (b) Corporate Procurement Policy (GN-2303-33) and its associated Guidelines for the hiring of consulting firms for services of an intellectual nature and the contracting of logistics services and non-consulting services.
- 4.6 **Reports to donor.** The project team will assume the responsibility for drafting and submitting project reports to the donor, aligning with the provisions outlined in the Contribution Agreement with AECID. This will encompass annual financial reporting and narrative updates, including the monitoring of log frame indicators.

V. Major issues

- 5.1 The major risks, depending on types, are ranked medium to low. The type of risks, level, likelihood, and mitigation measures are described in Table 2.

Table 2. Risks and mitigation measures

Type	Level	Likelihood	Description	Mitigation measures
Development	Medium low	Medium	Inability to identify and raise target issuers' interest, engagement and/or ability to successfully participate in the program's activities	IDB has strong experience and network in the target context and has already identified preliminary demand for Amazonia Bond issuance support. An initial list of countries has been identified: Brazil, Colombia, Ecuador and Peru. Once the Amazonia concept is developed, IDB will take a work with these countries through the representations and contacts in the LAC debt group with debt managers officers (DMOs).
Reputational	Low	Low	Target issuers' involvement in green washing could feed back to IDB	IDB will mitigate this risk by i) Hiring renowned independent Second Opinion or certification providers; ii) Supporting ESG ratings and/or supporting the building of ESG risk management capabilities; iii) Foster reporting via the GBTP.
Country/counterparty risks	Medium high	Medium	Target issuers' inability to issue Green or Thematic Bonds due to inadequate credit rating and policy and/or political-related disruptions	IDB will manage this risk by i) Targeting multiple geographies in LAC and issuers to diversify the risk; ii) On-going engagement with target countries through its local representations.
Financial	Low	Low	The expected mobilization effect does not materialize, and donor would need to put in additional funds.	IDB will engage with public issuers who will commit to contribute time and resources for the successful issuance of bonds under the Amazonia Bond Concept.
Environmental and social	Low	Low	Environmental and social safeguards systems in issuers is not up to part to investor standards	The IDB will support enhance awareness and capabilities for identifying environmental/climate/social issues

VI. Exceptions to Bank policy

6.1 This project does not foresee exceptions to Bank policy.

VII. Environmental and Social Aspects

7.1 This Technical Cooperation will finance feasibility or pre-feasibility studies of investment projects and associated environmental and social studies; therefore, the terms of reference and products must be consistent with the applicable requirements from the Bank's Environmental and Social Policy Framework (ESPF), in particular Environmental and Social Performance Standard (ESPS) 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources and ESPS 7 on Indigenous Peoples.

Required Annexes:

[Results Matrix_946.pdf](#)

[Terms of Reference_69907.pdf](#)